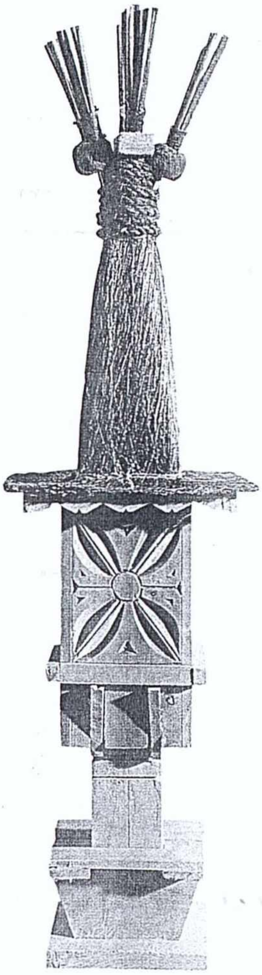
TL 3944

THE EAST TIMOR PROJECT



VOLUME 1

An Anthology:
Essays on the Political Economy of East Timor

This Volume • João Mariano de Sousa Saldanha
Series Editor • Paul Webb

Monograph Series No 3/95

Centre for Southeast Asian Studies • Northern Territory University

The East Timor Project — Volume 1

AN ANTHOLOGY:
ESSAYS ON THE POLITICAL ECONOMY OF EAST TIMOR

Volume Editor – João Mariano de Sousa Saldanha
Series Editor – Paul Webb

Lisboa, 5/2/97

Monograph Series No 3/95

Centre for Southeast Asian Studies
Northern Territory University

Foreword

The seven essays in this volume represent divergent views on the political economy of East Timor. It so happened that about the time of the penultimate seminar there was a report, since confirmed, that the Indonesian military had illegally shot and killed six East Timorese. It says something perhaps for the sense of objectivity engendered by these public seminars that Indonesian officials, East Timorese and local East Timorese political activists could sit together in a lecture theatre and discuss reasonable points raised by the lecturer. Which, of course, in no way means that this act of brutality nor the continuing political disarray in the territory was or is condoned. Neither does it mean that there should be no fire in the belly when the past twenty years of East Timor history is considered.

It does, I believe, suggest that the seminar series, here presented as an anthology, gave both the lecturers and the audiences another chance to look at the problems of East Timor from various perspectives: economic, political and politico-administrative.

Mario Saldanha is a young East Timorese economist, one of the few graduates from this territory, whose views, one could say, are probably integrationist. In conjunction with the other papers he has raised some interesting points, which deserve to be treated seriously by the Indonesian authorities. Amongst these points is the view that East Timor, far from being a poor and bedraggled province, is in reality rich in natural resources. If these were developed for the benefit of the Timorese, the territory could well prove to be self-sustaining through the proper exploitation of its untapped mineral wealth, as well as by the proper modernisation of its agriculture sector. This prospective profitability and development is dependent on peace and stability in the territory - a theme continually referred to and inferred by these essayists.

The Centre for Southeast Asian Studies is very pleased to offer this first volume of the East Timor Project and hopes that it will make a positive contribution towards an intelligent understanding of the territory and some of its problems, both political and economic.

Paul Webb

Contents

FOREWORD iii

INTRODUCTION vii

THE CONTRIBUTORS x

THE 'EAST TIMOR STUDIES PROJECT' xii

CHAPTER 1

The Contemporary Roots of East Timorese
Resistance and Prospects for Peace
Gerry van Klinken 1

CHAPTER 2

The East Timor Issue in Indonesia
Max Lane 14

CHAPTER 3

Developing East Timor in the Indonesian Context:
An Australian Perspective
Rawdon Dalrymple 28

CHAPTER 4

East Timor's Economic Development Seen
From Jakarta: Towards "Special Treatment of a Second Kind"
Hadi Soesastro 40

CHAPTER 5

An Analysis of the Development Process in East Timor: Background, Achievements, Problems and Alternatives
Daniel Kameo 49

CHAPTER 6

Rural Development in East Timor: Present and Future
Armindo Maia 63

CHAPTER 7

The State of the Economy of East Timor: Prospects for Self-Reliance
João Mariano de Sousa Saldanha 70

Introduction

East Timor became news to the world after a civil war broke out in 1975 following the withdrawal of Portugal. Before the Indonesian intervention which was legitimised by the demands of several groups and parties in the region, the territory was declared independent unilaterally by just one of the parties. The intervention was meant to stabilise the region and it declared East Timor as the 27th province of Indonesia. But until now the issue of East Timor has still not been settled (internationally) and there are still political tensions in the region. It is likely that the situation will remain thus unless the political aspect, especially the international dimension, is solved.

So far discussions about East Timor tend to focus on two aspects: first, Indonesia and those who are for integration, talk about "development" and "catching up with other Indonesian provinces", while Portugal and the pro-independence groups talk about "invasion" and "abuse of human rights". It follows that academic discussions also tend to follow both these trends without contributing substantially to the settlement of the issue. Therefore, it is necessary to create a forum where the ideas of all parties concerned can be discussed in a dispassionate way and political rhetoric kept to a minimum.

It is within this perspective that the seminar series, **The Political Economy of East Timor** has been organised. The result of the seminar series is this anthology which was produced as part of the East Timor Studies Project conducted by the Centre for Southeast Asian Studies, Northern Territory University. This anthology comprises seven papers presented as public lectures in Darwin between September 1994 and March 1995. Besides creating a forum where the East Timor issues can be discussed dispassionately, the series also contributes to the literature of the territory. The first step in the series was to identify speakers from a broad range of ideas, that is, those for integration and for independence coming from government, academics and political activists.

The issue of East Timor itself is complicated and carries political risks. Therefore, only eight among eleven invited speakers could come to Darwin to present their papers. The fact that this seminar series was to be held in Darwin where a great many East Timorese expatriates live, as well as being a vocal group against Indonesia, may also have influenced some of the speakers' decision not to attend.

Two major conclusions from this series can be drawn. First, the bottom line is the political issue; that a political settlement must be pursued to create a lasting solution for East Timor.

Second, the economic development of East Timor has achieved a remarkable stage during the last 20 years, yet normal economic development is discouraged by the continuing political instability in the region.

Gerry van Klinken puts the East Timor issue in a theoretical perspective and examines the ways of association of one territory with a nation. He advocates real talk between real people on real issues in order to settle the political problem of East Timor. However, he admits that the resultant impasse is closely related to Indonesia's authoritarian political system, which has a poor capacity to resolve conflict. The awareness of the East Timor issue among intellectuals, students and democratic movement circles is growing in Indonesia. That is the main point outlined by Max Lane. He argues that further substantial growth in the democracy movement will inevitably provide the democratic space for open debate of the East Timor issue in Indonesia.

Rawdon Dalrymple points out that due to the smallness of East Timor geographically, economically and demographically it will be better for it to be developed in a regional context. Indonesia is a part of the dynamic Asian countries that enjoy a high economic growth and the association of East Timor with Indonesia for economic development is therefore necessary. In Australia various views will be advanced and pressures brought to bear but the practical contribution to the present welfare and future progress of the East Timorese will have to be made by building on what the Australian International Development Assistance Bureau (AIDAB) has been getting under way since 1990.

Dr Hadi Soesastro argues that East Timor should be given a special status parallel to the Batam Joint Development Authority not in a political aspect but in an economic aspect. This ought to be done through empowerment of the governor's office and better access to the national planning body, which in its turn should create a special division for East Timor. The most detailed account about the economic development and the problems of East Timor is that of Daniel Kameo. He has listed all the economic achievements during the past 20 years as well as the problems still remaining. He also implies that a political solution is a necessary condition for further economic development.

Armindo Maia argues that the new settlement and resettlement areas in the post-integration period do not offer sufficient conditions for sustainable rural development because almost all of them were set up on the basis of security reasons. If they can work in the short term, then they are doomed to fail in the long term. Whether people continue to live in this pattern depends on the political decision and the courage of the people themselves.

In the last chapter, Joao Mariano de Sousa Saldanha outlines the economic effects of the war, the natural resources and the ways to improve economic development of the region. Contrary to what is usually pictured, he argues that East Timor actually has great economic potential which has yet to be exploited. The territory has a potential to be self-sufficient in rice production provided that more resources be allocated to the agriculture sector, improvement of methods of production, and extensive rice fields used to full capacity.

I am happy that this seminar series has been successfully completed and published by the Centre for Southeast Asian Studies, Northern Territory University. Originally there was a worry that there may have been political protest from the Indonesian government and from the local and vocal East Timorese community. But this did not eventuate. Prior to the seminar series the Indonesian government was vehemently protesting the Asia Pacific Conference on East Timor (APCET) organised by pro-independence sympathisers in Manila, the Philippines. This seminar series took this into consideration so as to avoid any diplomatic problems which would not be beneficial for the whole East Timor Project at the Northern Territory University. On the other hand, the intense activity of the East Timorese pro-independence movement in Darwin was also considered with great care, in order not to create antagonism which might have resulted in the failure of the project. Fortunately, it seems that all sides understood the nature of the project after talks with different people of different groups on every occasion prior to the series. George Quinn, former Senior Lecturer in Indonesian, Northern

Territory University should take much credit for the success of the series. He developed very close relations with the Indonesian Consulate in Darwin and with the East Timorese community in Darwin which paved the way for the success of the seminar series and the East Timor Project .

Paul Webb, the Director of Southeast Asian Studies also contributed much to the success of the seminars. Besides the day to day operations, he also successfully presided over the seminar series. During high tension debates in the sessions he was always able to neutralise and reduce the tension which may well have developed into hostilities amongst speakers and audience. For all speakers Max Lane, Rawdon Dalrymple, Armindo Maia, Daniel Kameo, Gerry van Klinken, Dr. Hadi Soesastro and Dr. George Aditjondro who accepted our invitation I express my gratitude. It was a big decision to be a speaker in this series regarding the sensitivity of the East Timor issue and diplomatic problems that may arise. Nevertheless, all these problems have been avoided and I believe that such forums should be pursued in the future: a forum where East Timorese and Indonesians can discuss matters without necessarily being hostile to each other. The forum has also proven that dialogue and intellectual discussions are good mediums for bringing different ideas and sensibilities into a common understanding.

Thanks are due to Carol Bloomfield for beginning the typing of this volume and to Kerri Harris for formatting and advice, and thanks also are due to Eve Adams, Executive Officer, Faculty of Arts who gave assistance to the publicity for the series, as well as to, Lyn Hamilton from the Finance Section who patiently facilitated the travel of the speakers. Dr David Mearns, School of Social Sciences, also voluntarily donated his time to proof read most of the papers.

João Mariano de Sousa Saldanha
Volume Editor

The Contributors

1. **Rawdon Dalrymple**, a former Rhodes Scholar, is currently Visiting Professor in the Department of Government and Public Administration, University of Sydney and is Chairman of ASEAN Focus Pty Ltd as well as Adviser to ITOCHU (Australia). He is a former Australian Ambassador to Indonesia, the United States, Japan and Israel. He has also held diplomatic posts in Germany and the United Kingdom.
2. **Daniel Kameo** is a Lecturer in the Faculty of Economics, Satya Wacana Christian University (SWCU) Salatiga and Coordinator of Fourth and Fifth Five Year Development Planning for East Timor. Mr. Kameo has held the position of Deputy Dean of Academic Affairs, Faculty of Economics, SWCU and Director of the Centre for Regional Development Studies, Faculty of Economics, SWCU.
3. **Gerry van Klinken** is a Lecturer in the School of Asian and International Affairs, Griffith University, Nathan, Queensland and has held the post of Lecturer at Satya Wacana Christian University, Indonesia in the 1980's and has been following developments in East Timor and Indonesia very closely. Mr van Klinken is currently completing his PhD study in Indonesian History at Griffith University.
4. **Max Lane** is a Researcher, Consultant and Lecturer on Southeast Asian Affairs. He has also held appointments as Guest Lecturer in the Department of Southeast Asian Studies, University of Sydney, and the Department of History and Politics, University of Wollongong. He has been a Research Fellow in various universities and research institutes in Australia, Singapore and the Philippines. A former Second Secretary in the Australian Embassy in Indonesia, he is a well known translator of works by Pramoedya Ananta Toer and Rendra. Major publications include *Openess, Political Discontent and the Succession in Indonesia* published by the Centre for the Study of Australia Asia Relations, Griffith University, 1991.
5. **Armindo Maia**, is Deputy Vice President for Academic Affairs, East Timor University, Dili. He has also held the position of Lecturer in the Department of History, Sanatha Dharma University, Yogyakarta, Indonesia.

6. **João Mariano de Sousa Saldanha**, a former Fulbright/Galbraith Scholar, has been a Senior Research Fellow, East Timor Studies Project, CSEAS, Northern Territory University, Darwin. At the time of publication he is a Visiting Scholar at the Harvard Institute of International Development, Cambridge, Mass., USA. He is also attached to the Department of Economic Affairs, CSIS, Jakarta and the Faculty of Social and Political Science, East Timor University, Dili. He is the author of *The Political Economy of East Timor Development*, (Pustaka Sinar Harapan 1994).

7. **Hadi Soesastro** is Executive Director of the Centre for Strategic and International Studies (CSIS), Jakarta and is also Lecturer in Economics at the University of Indonesia and has published widely on the economy of East Timor. Among his articles is 'East Timor: Questions of Economic Viability', in Hal Hill (ed) *Unity and Diversity: Regional Economic development in Indonesia Since 1970*, (Oxford University Press 1989.)

The East Timor Studies Project

The Northern Territory University, through its Centre for Southeast Asian Studies (CSEAS) initiated the East Timor Studies Project in 1994. The objective of the Project is to help staff and students of the University and the general public to improve their access to sources of information and debates on contemporary East Timor.

The Project had four components:

> **First**, a seminar series was held with the theme of *The Political Economy of East Timor*. This series of seminars began in September and ran through to November 1994, resuming in February 1995.
>
> **Second**, there was a comprehensive survey of resources for the study of East Timor with special emphasis on resources held here in Darwin, in Portugal, in Macau, in Indonesia and in East Timor itself. The results of the survey will be published as a comprehensive bibliography on East Timor in Volume 2 of the East Timor Project Series.
>
> **Third**, cooperative links have been developed between the Northern Territory University and *Universitas Timor Timur* in Dili. The Vice Chancellors of both universities signed a *Note of Intent* in August 1994 and a Memorandum of Cooperation in December 1994. In principle it was agreed to cooperate in the fields of higher education, research, teaching of English and tropical agriculture, and to provide an avenue for staff (and later) student exchanges.
>
> **Fourth**, it is hoped that a syllabus and study resources can be developed for an introductory level, area studies unit of study on East Timor.

The members of the Project Committee were Dr Paul Webb, Director of the Centre for Southeast Asian Studies, Northern Territory University, João Mariano Saldanha, formerly Senior Research Fellow attached to the CSEAS, who had the day to day management of the Project and Dr George Quinn, formerly of the School of Humanities, Northern Territory University and now Indonesian Language Coordinator, Faculty of Asian Studies, Australian National University.

The Contemporary Roots of East Timorese Resistance and Prospects for Peace

Gerry van Klinken[1]

Continued resistance to Indonesian rule in East Timor is the outward manifestation of a serious problem. But it is important that we can answer the question: 'What is East Timorese resistance a case of?' Here I will argue that there is something to be gained by viewing East Timor as a case of separatism with contemporary roots, rather than (as is done by most observers) as a case of resistance to an annexation in 1975. The analysis has a significant bearing on prospects for peace in East Timor.

Why East Timorese 'Separatism'?

In its origins, East Timorese resistance is in fact a case of resistance to forced annexation. On 7 December 1975, just as its unilaterally declared independent government was stabilising control following the chaotic Portuguese colonial withdrawal, Indonesian troops parachuted into its capital Dili, and East Timor became the victim of Southeast Asia's first annexation of a neighbouring country. In the following months and years, tens of thousands were killed in battle, or randomly massacred as a form of state terrorism. Even more died in Vietnam War style strategic villages when, isolated from their fertile fields, famine described by the Red Cross as 'worse than Biafra' spread through the country. Even some Indonesian government officials acknowledge that the figure of 200,000 dead, almost a third of the entire population of a territory a fraction the size of Tasmania, is probably not exaggerated. There can be few places on Earth with so many cemeteries per unit area. Close inspection invariably reveals the sickening truth that all the dates are the same: between the years 1977 and 1979.[2]

And yet continued East Timorese resistance to Indonesian rule is today as much related to contemporary factors as to historical memories. East Timor is more and more taking on recognisable characteristics of armed separatism against the nation-state. By shifting our attention to these contemporary factors I am not suggesting that the legal and historical arguments are no longer relevant, much less that past injustices are to make no further claims on the present. But there are also several good reasons for adopting a new approach on this occasion. One is an obvious heuristic reason - we might achieve new insight by tentatively suspending the historical point of view in favour of a more contemporary analysis. But more importantly, it allows us to open a dialogue with many powerful agents and commentators who, for various reasons, have done the same. The Indonesian government has of course more reason than anyone for choosing to think of 1975 as a distant and fast-receding date.

It has always described East Timorese resistance as 'separatism', thus putting it in the same class of events as the armed separatist movements that afflicted Indonesia in the 1950's. East Timorese resistance leaders captured and put on trial by Indonesia are not considered prisoners of war, but are charged with 'rebellion' and 'separatism'.[3]

Foreign journalists too have short memories, perpetuate all kinds of beer-garden misconceptions, and now routinely describe the East Timorese movement as 'separatist'.

The international community, (that is, governments) has always had difficulty thinking of East Timor as a case of the annexation of a sovereign state similar to Kuwait, for instance. In the yearly protests at the UN General Assembly between 1975 and when they were suspended in 1982, East Timor was described as a case of incomplete decolonisation. Almost no governments took seriously the unilateral declaration of independence issued by FRETILIN on 28 November 1975.[4]

The UN regards East Timor not as a state in its own right but as still a Portuguese colony. Portugal was in the process of decolonising it when the free act of self-determination that normatively should accompany the process was cut short by the Indonesian takeover. In other words the UN, whilst never saying troubles in East Timor are 'separatist', is trapped in a conceptually messy historical anachronism. An important aspect of this mess is that the UN has not formulated a clear stance on Third World colonialism, that is on colonialism by nations themselves, ex-colonies (such as Morocco over the Western Sahara), as opposed to colonialism by historically imperialist western nations (such as Portugal).

Indeed, the invasion did take place 19 years ago. *De facto* Indonesian control over almost the entire population was achieved by 1979. No foreign government offered military assistance to break the occupation - far from it. Western governments (Portugal excepted) have almost unhesitatingly and from the very beginning lent their support to Indonesia in the affair. If the violation of international law was not sufficient reason for protest, neither was a continual stream or reports detailing massive human rights violations.[5]

Separatism in Southeast Asia

Annexation is so far unique in Southeast Asia, but armed separatism is a fairly familiar phenomenon. The Karens of Burma, the Moros of the Philippines, Indonesia's PRRI rebellion of 1958 and Indonesia's long-running Free Aceh Movement are all cases in point. A good deal of theoretical work has been done on armed separatist movements against the nation-state. We shall utilise that by Ruth McVey.[6]

Social Conditions

The conditions for the existence of a separatist movement fall into two categories - social and economic. The former have to do with a failure of national integration.

Elites

In some important cases, particularly in Asia where a large proportion of the population is not politically knowledgeable, such a failure does not bother the bulk of people but is not merely a rhetorical cover for an inter-elite conflict. The conflict is not about national culture at all but about the spoils of office.

It is possible, though not entirely convincing, to view the East Timorese resistance in this way as well. We can document that the Indonesian military from the very beginning viewed the East Timorese problem with elitist spectacles. It had gained experience in dealing with separatist movements of an elitist nature within its own borders in the 1950's (the PRRI rebellion). Its initial approach to East Timor, coinciding with the first signs of political life in East Timor just after the Carnation Revolution in April 1974 and 18 months before the full-scale military invasion, was a covert operation named *Operasi Komodo*. Its aim was to influence the most likely members of the East Timorese elite.

This operation was partly successful, particularly after the brief but bloody civil war in August 1975 that forced leaders of the losing party (UDT) into Indonesian arms across the border. Some of the converts to East Timorese integration with Indonesia remain convinced supporters of the idea (Lopes da Cruz), while others (eg., João Carrascalão) subsequently became disillusioned.

More amenable than the urban professionals of the UDT was the smaller party APODETI, linked to traditional chiefs, which actually had, (*conditional*) union with Indonesia on its party program.[7]

Operasi Komodo had least success with the populist FRETILIN, the other major party in East Timor, which was lead by radical nationalists and some socialists.

But elitist approaches to East Timor failed because East Timor's elites were not free to move too close to Indonesia's without losing legitimacy from their own constituency. Lopes da Cruz, for instance, now lives in Jakarta instead of East Timor.

Community Consciousness

Any separatist movement worthy of the name is based on a strong sense of community consciousness rather than on a small elite susceptible to inter-elite patronage deals. Many observers now describe East Timor as a case of full-blown nationalism.

East Timorese nationalism almost exploded into life during the mass participation in politics after the Carnation Revolution in metropolitan Portugal in April 1974. Nor did it subside upon the Indonesian invasion in December 1975. A rather effective East Timorese administration ruled the majority of the population in the hinterland until as late as November 1978.

Even more than those formative four or five years, nearly two decades of arbitrary terror at the hands of a foreign military presence have created community where perhaps none existed before.

We have only glimpses of the things that happened during the thirteen years after the end of 1975 when East Timor was hermetically sealed from the outside world.[8]

Much of this suffering has been interpreted through the Catholic Church. Bishop Belo, who has no history of political involvement and says his real desire was always to go to China as a missionary, speaks repeatedly about being forced by his congregation to articulate their pain. When he said in a homily that 'the suffering of the persecuted and imprisoned was a repetition of Christ's passion', people knew what he meant.[9]

Initially popular separatist movements rely on traditional allegiances, and hence lack a single authoritative leadership, have unclear aims. The very public way in which differences among the East Timorese resistance leadership are aired, the ineradicable identification with political parties that actually functioned briefly almost two decades ago - these do point to a pattern of traditional patrimonialism rooted in local linguistic or kinship communities. Intra-elite disunity is certainly an opportunity well exploited by the Indonesian regime. But at the same time it also demonstrates a breadth of popular support.

Economic Conditions

In the long run, McVey notes, these traditional allegiances will weaken and be replaced by more secular ones. Rebellion, if it persists, is increasingly focused on bureaucratic maltreatment and the unjust distribution of resources. In this sense the success or failure of an armed separatist movement depends on the failure or success of a nation-state to maintain a generally acceptable social order. A powerful tool for analysing separatist movements is therefore to look at economic inequalities.

Like Aceh in Northern Sumatra, and Irian Jaya next to Papua New Guinea (the only other places in Indonesia where resistance to the state can be described as armed separatism), East Timor is located in a border area. Economic penetration by the centre has in all three regions been weak, or rather distorted and bearing a colonial character. A major refrain in all three is that there is plenty of economic activity but locals have no role to play in it. Aceh has an enormous gas field and associated petrochemical industry, Irian Jaya has the world's largest copper and gold mine besides its logging interests, while East Timor now has oil exploration confident of a significant find.[10]

The Indonesian government has carefully cultivated a picture of an East Timor suffering from neglect under Portuguese colonialism, but enjoying the benefits of huge preferential investment in infrastructure and services since becoming an Indonesian province. Many foreigners have seen the new buildings and accepted the picture drawn around them. However studies are beginning to throw serious doubt on its accuracy.[11]

The Portuguese period was not as dismal, nor the Indonesian period as resplendent, as that picture suggests. Even now the economy has in many ways not recovered from the devastating consequences of the years 1975-79.

A once vibrant tourist industry has collapsed, the stock of ('tractor') buffalo is still below its pre-1975 level, self-sufficiency in rice has not been recovered. Economic growth rates are no higher than they were during the final years of Portuguese rule. East Timor has no productive industrial capacity. Massive amounts of money have indeed flowed through East Timor in Indonesian times, but most of it has rebounded to the Indonesian centres of Jakarta and Surabaya without leaving anything productive behind.

The economy in East Timor has a colonial frontier atmosphere of unmitigated exploitation by outsiders for outside interests. The opening of East Timor to non-military visitors early in 1989 was designed to mitigate the frontier atmosphere and attract other investors, but no really positive results have been forthcoming so far. East Timor remains the poorest province in Indonesia on many social indicators. If major oil reserves are confirmed in the waters East Timorese regard as their own, and none of the rewards are allocated to East Timor, it will add considerably to separatist tension.

Nothing better confirms these concerns than the riots that swept East Timor's capital Dili during two weeks in mid-November 1994.[12] They were sparked by the murder of an East Timorese trader in Dili's markets by an immigrant trader from Sulawesi. As many as 150,000 outsiders, many from Sulawesi, have come to East Timor and now totally control street commerce. Many immigrants sheltered at police stations during the riots, and police said they would evict those who did not have their papers in order. But there is no indication anything will be done soon.

More than anything else, the spread of resistance to the modern urban sector is caused by these economic factors. Demonstrations have been organised by educated young people and even civil servants not satisfied that the Indonesian order offers them any hope of a better life. The emergence of urban-based resistance among a generation entirely schooled in the Indonesian system is the strongest indication that popular support for secession is being generated by contemporary circumstances as much by history.

The Resolution of Separatism

A territorial separatist movement can be resolved in one of three ways: by secession, autonomy or assimilation. Not mentioned by McVey but unfortunately real is a fourth possibility, namely that it is not resolved but repressed or demographically overwhelmed by immigrants.

Secession

Sadly, secession by peaceful means is never likely to succeed. Modern nation-states everywhere, McVey notes somewhat acidly, will give up populations - by expulsion or extermination - but never territory. In East Timor's case it is even more unlikely, since the object of annexing it in the first place was to eliminate a newly independent nation-state on Indonesia's southern flank.

It is of course possible that the Cold War considerations that led to the annexation - fears of a Communist 'Cuba' to Indonesia's south - no longer apply carry weight today. However, Indonesia's very insistence that East Timorese resistance is 'separatist' must make it difficult to imagine how East Timor could now secede without encouraging 'separatism' elsewhere. No one wishes a Soviet Union-style breakup on the Indonesian people, nor is it likely in the foreseeable future.

The very likelihood of peaceful secession turns separatism into armed separatism. Secession then becomes conditional on achieving military overweight. East Timorese soldiers in fact surprised everyone - not least the armed forces of a nation over 200 times its size - by turning out to be more than a match for the Indonesians during the first three years. Ill-trained but not so ill-equipped (they inherited a modern armoury of NATO weapons), they actually fought pitched battles during the first six months, before reverting to guerilla warfare. Many thousands of Indonesians also died in battle, and occasionally stories still surface in the Indonesian press of the difficulties Falintil created.

This armed resistance remains active today, assisted by difficult terrain, but at much reduced, almost symbolic levels. Guerilla fighters receive no aid from abroad.[13] Armed conflict now serves as live training for the entire Indonesian armed forces, which are rotated through the territory on a routine nine-month schedule. In short, there is no question of East Timorese military overweight.

Some militarily outnumbered resistance movements in border areas still manage to hold their own because they enjoy foreign assistance from a neighbouring country. But East Timor's only international neighbour has been an active ally of the Indonesian annexation forces since the beginning. That alliance was never better illustrated than by Australian Prime Minister Fraser's order just prior to visiting Jakarta in October 1976 that the FRETILIN radio transmitter in Darwin be seized. Radio was the only direct channel of communication available to the East Timorese resistance.

Autonomy

A second option for any separatist movement is to accept some kind of autonomy for the separatist territory. This actually represents a range of options, from nominal to almost complete autonomy, all bounded by the retention of some notion of the central nation-state's sovereignty. Since so many are talking about this option, we need to be a little expansive at this point.

APODETI policy in 1974-75 was in fact to become an autonomous region within Indonesia - a detail usually forgotten by opponents and Indonesian friends alike, but now being re-emphasised by old APODETI adherents working within the Indonesian bureaucracy.

It remains the preferred option of East Timorese who have gained the ability to work within the Indonesian system - parliamentarians, academics, church leaders. Proposals for autonomy are being made by a surprising variety of people.

The idea probably first surfaced in Indonesia in a little-known report early in 1990 by the Gadjah Mada University social scientists Mubyarto and Lukman Sutrisno, which suggested special consultative arrangements involving the Catholic Church. At about this time the Gadjah Mada journal 'Prospek' also published an article by Herb Feith proposing more fundamental constitution-mongering to the same effect.[14]

Bishop Belo had in early 1989 written a bold letter to the UN Secretary-General asking for a referendum on the future of the territory. But this had led to a wave of arrests around East Timor merely on suspicion of sympathy for the letter. From late 1991, immediately following the traumatic Dili massacre the previous November, he began to urge autonomy for East Timor as the next best and most practical alternative, in view of the violent Indonesian reaction to the referendum idea. Since then he has reiterated the same position numerous times.

Several East Timorese parliamentarians in Jakarta, as well as some East Timorese intellectuals at Indonesian universities, have also since echoed the idea with increasing self-confidence.[15]

'Autonomy' next surfaced in a creative peace plan proposed in April 1992 by the CNRM leader José Ramos Horta, with the approval of Xanana Gusmão, at that time still in the mountains of East Timor. That plan, still on the table as far as CNRM is concerned, envisages a phase of comprehensive talks, followed by a five to ten year period of UN-supervised autonomy, issuing in a referendum in which the East Timorese people determine their own future. This otherwise sadly neglected plan had to overcome considerable internal opposition from those who felt it gave away too much to the Indonesian government.[16]

In May 1994 East Timor Governor Abilio Soares, an APODETI man, circulated a proposal for structural autonomy for East Timor, using the terms of the 'Special Region' known elsewhere in Indonesia, namely in Aceh and Yogyakarta. It appears he is confident of some senior government and military figures backing, particularly from Presidential son-in-law Col. Prabowo Subianto.

Foreign governments concerned about good relations with Indonesia have also warmed to the idea since East Timor regained the international spotlight in November 1991. Australian Foreign Minister Gareth Evans has repeatedly urged Indonesia to draw down its military forces in East Timor and grant substantial autonomy to the 'province'. President Clinton spoke with President Suharto about autonomy for East Timor in Tokyo in August 1993 and again in Bogor in November 1994. Even Portugal, for whom East Timor has become a matter of national pride, reportedly thinks this the most achievable solution. Press speculation in February 1993 said that the Vatican was interested in looking for ways of mediating between Indonesia and Portugal on the dispute, and autonomy was on its agenda also. Many hoped that Indonesia might be motivated to give autonomy to East Timor in the (probably realistic) hope that this would finally erase the issue from the UN agenda.

Unfortunately the strongest actor in the East Timor drama - the Indonesian government- has consistently and strenuously resisted any suggestion of unusual autonomy for East Timor. Bishop Belo's 1989 referendum idea was hardly permitted exposure in the Indonesian press and led to many arrests. His 1991 autonomy suggestion was immediately rejected by Interior Minister Rudini, who said other so-called "Special Regions" in Indonesia (Aceh and Yogyakarta), were in fact autonomous in name only because Indonesia knew no regional autonomy. Defence Minister Benny Murdani said East Timor already enjoyed special treatment equivalent to autonomy - a view consistently echoed by senior ABRI (Indonesian Armed Forces) figures since then. Indonesian Foreign Minister Ali Alatas has repeatedly and vehemently denied that his government is making any deals aimed at creating autonomy in East Timor. And at the November 1994 APEC meeting, President Suharto reportedly told President Clinton there would be no special status for East Timor. This was a direct rebuff to Clinton's suggestion.

The only indication that certain figures in the government are indeed thinking of granting some kind of autonomy was an internal ABRI report on East Timor late September 1994. The ABRI report only 'recommends modifications to existing practice, rather than a significant shift in policy that could lead to more self-governance for the former Portuguese enclave'. The ABRI report represents what one observer called 'parallel diplomacy' that deliberately bypasses United Nations involvement. An intriguing role is being played within ABRI on this issue by rising star Col. Prabowo Subianto.[17]

Indonesia had a brief experience of enforced federalism in 1950 that was quickly reversed. It did resolve a separatist movement in Aceh by granting it 'Special Region' status in 1959, but (as Rudini correctly indicated) Aceh's economy has been gradually whittled away since then and is now purely nominal. The concept evokes great distaste among ruling elites, who regard it as weakening the state. Proponents of any kind of political or even cultural pluralism are met with repression. These fears are today attached not only to the term 'federalism', but also to 'autonomy'.

In short, the idea of constructing a region with special autonomy in East Timor is not an easy one for Indonesia to swallow. But it is easier than secession, and it will not be quickly abandoned. Optimists note that, in view of Suharto's long-standing technique of giving out contradictory signals, the repeated denials perhaps camouflage real moves to the contrary.

Debate would then centre on the degree of autonomy that can be achieved.. The two poles would be the current Indonesia-wide program of level II (sub-provincial) administrative decentralisation on the one hand, and the Horta-CNRM plan of UN-supervised, internationally guaranteed autonomy on the other. Only something resembling the CNRM plan would resolve the issue properly.[18]

Assimilation

Finally, leaders of the separatist minority group may experience ethnic and cultural assimilation into the majority group. Provided this leading elite retains its legitimacy (as discussed above), this would signal the collapse of the separatist movement. Scholars now acknowledge that ethnicity is not an eternal given. It is negotiable. People can change their ethnicity, or even maintain dual ethnicity. Schools are the classic place where assimilation takes place. Assimilation is the most widely adopted strategy toward minorities in Asia.

But assimilation is not a cheap solution, as is often thought. For a separatist movement to collapse, the conditions that kept it alive must be eliminated. This means, first, that social barriers reinforcing the ethnic sense of community must be removed. Allowance needs to be made, says McVey, for the fact that assimilation costs something to the ethnic minority elite adopting it. They must be compensated with economic opportunity for the alienation they experience from their own people.

Hence, second, the territory's economy must be integrated with the national economy and must offer genuine equality. The success of an assimilation strategy depends on the availability of real upward mobility for those who enter it. If no employment in the bureaucracy is made available, the strategy backfires and will have only provided the resistance with an educated elite.

Assimilation strategies have been attempted by Indonesia in East Timor, and with some success. But success has not been permanent, and has even suffered recent setbacks.

Mario Carrascalão

While normal Indonesian policy makes no commitment to an indigenous governor, East Timor has always had an indigenous governor. Several of these have been impotent under their military minders. But the third governor in Indonesian times won much praise in Indonesia's press by being stronger than any other governor in Indonesia. Under Mario Carrascalão (1982-92) considerable funds were set aside to educate East Timorese in the better universities of Indonesia. Perhaps about 1000 students were sent to Java, Bali and elsewhere - not insignificant for a small place like East Timor.[19] Some of these subsequently went overseas for graduate studies and are now returning to East Timor, some as lecturers in the small new university in Dili. This is a generation educated entirely in the Indonesian system, fluent in the Indonesian language. Carrascalão's successful efforts to open East Timor to civilian outsiders by early 1989 were also primarily aimed at permitting East Timorese assimilation into the general Indonesian economy.

Dili Massacre

The most immediate setback to Carrascalào's policy was the Dili massacre of November 1991. The military who committed the atrocity blamed it on the East Timorese. Hawkish officers reached the conclusion that the hearts and minds policy (of which assimilation is a part) was not working, that the East Timorese were not trustworthy because they were using their scholarships to expand the resistance network to Java, and so on. The view that the East Timorese were what Ruth McVey calls 'resident strangers', not 'real nationals' worthy of trust, appeared to become official. After the massacre, Mario Carrascalão said despairingly that all the effort to induce people to accept integration had been undone. He has now been exiled to Rumania as Indonesian Ambassador, and the scholarship scheme has been pruned.

Carrascalão was due to be replaced by his military deputy governor, the Javanese Brig-Gen A. B. Saridjo. Only the massacre forced the decision to appoint another indigenous governor, Abilio Osorio Soares. Local military commander Brig-Gen Theo Syafei reflected serious doubts within the military about the loyalty of East Timorese civil servants when he expressed the hope that Soares would 'totally wipe out those two-headed and crazy people'. When all the best East Timorese are distrusted for responsible office nearly two decades after integration, no one can claim assimilation has been a success.

Economic Stagnation

Second, despite massive inflows of Jakarta money, the East Timorese economy shows no signs of vitality. It has not created the expected employment market for educated East Timorese - when last measured in 1989, 66% of senior high school graduates were unemployed. East Timorese face immense barriers of suspicion when they apply to join the bureaucracy or the commercial world. Commercial relations take place exclusively between outsiders resident outside and outsiders resident inside East Timor.

The failure of assimilation policy - due both to its retraction by military hawks and to the growing East Timorese perception that there is no upward mobility - will be the single greatest lost opportunity for Indonesia to date if it is not reversed.

Repression and Demographic Inundation

Unfortunately, there is a fourth way of dealing with a separatist movement, namely to block resolution and hence trap it in impasse. This is achieved by military repression, often accompanied by an overwhelming demographic inundation of immigrants from elsewhere. The fate of the Australian Aborigines comes to mind.

The extensive militarisation of East Timor - by plain-clothes officers and thousands of hired local spies as much as by uniformed garrison troops - is the single most frequent source of complaint. As for immigration, for Irian Jaya at least there is evidence that Jakarta takes a quite consciously political view of its transmigration program as demographic dilution of a separatist Irianese community. Large-scale immigration of outsiders to East Timor has taken place without formal government intervention, but similar dynamics are at work.

At present there is little movement towards a resolution along any of the three basic channels of what we have described as East Timorese separatism. East Timor is experiencing impasse. This means the contemporary forces driving resistance will have to be met either with continued repression or with a resolution. Which it will be is determined by a political cost-benefit analysis.

The fear is that many in the Indonesian government appear to think continued repression is politically less expensive than resolution. In my perception however, East Timorese resistance is much stronger than that experienced in the historic Indonesian separatist movements. I remain unconvinced that repression will work. All those who know the East Timorese say 'they will never give up'.

Prospects for Peace

Politics in an Authoritarian State

Impasse is clearly not acceptable. Repression stains the Indonesian nation, it stains all those outsiders who deal significantly with Indonesia, and it destroys the East Timorese. But are there any signs of hope for a more durable and more honourable resolution? In particular, in view of certain rather intractable aspects of the problem, what potential is there for a *political* resolution?

When we describe East Timor as now effectively a case of separatism, we imply that the centre of gravity of a resolution process lies largely within Indonesia itself. But then we are immediately confronted by the highly centralised, authoritarian nature of Indonesia's political system, sometimes known by the technical terms 'bureaucratic polity', 'bureaucratic authoritarianism', or 'state corporatism'. On this understanding, political decisions do not involve the bulk of the population but are taken within the small governing elite alone.

This view may be one-sided. Certainly parliamentary politics are largely blocked in Indonesia, and the press is often subject to severe restrictions. But legitimation remains important in Indonesia also. Much of the inter-elite rivalry that drives politics is played out before a political public in order to woo it. East Timor is an increasingly important part of these politics because of the role played in it by the armed forces.

Making Repression Expensive

Outsiders can assist by trying to change the coefficients in the political cost-benefit equation: making continued repression more expensive, and conversely making resolution more affordable. The only way I know for outsiders to make repression politically expensive is to publicise it.

The use of repression to delay political change is not unique to East Timor. It is common throughout Indonesia. This internal blockage leads the powerless to appeal to the international community.

We need to understand this authoritarianism to appreciate that even a minimalist position like persistent anti-repressive publicity is already a costly commitment to conflict resolution. Even for outsiders, the price could include more difficult relations with Indonesian government agencies and corporations. How much greater the cost for those inside, who face long gaol sentences simply for conveying information to the outside world? [20]

Publicity turns the victims from objects into subjects. The immediate anxiety in East Timor right now is that the events of November 1994 will once again drive the Indonesian military to close off the territory. That would mean a descent into the dark years of 1975-89. East Timor needs a continual stream of journalists, parliamentary delegations, ecumenical delegations, human rights commissioners, knowledgeable tourists. It needs cooperative arrangements with credible East Timorese institutions such as the Catholic Church, Church schools, the University of East Timor, the Dili newspaper *Suara Timor Timur*, and independent NGO's.

Listening to East Timor

What about a resolution? Far more important, in my view, than prescribing any particular resolution of the impasse at this stage - whether secession, autonomy, or assimilation - is to recognise the East Timorese' own voice. Australian Prime Minister Whitlam was neither alone nor the last in 1975 when he decided without ever asking the East Timorese that East Timor was not a viable nation. Such paternalism can still be heard today, for example when Australia's Foreign Minister Gareth Evans accuses the Australian press of 'raising expectations about the chances for East Timor's independence'[21] This is a case of killing the messenger.

East Timorese proposals need to be taken much more seriously than they are. These include the referendum idea being tirelessly promoted by Bishop Carlos Belo, as well as his later suggestions for autonomy. The CNRM Peace Plan still demands a response. In Cipinang Prison Xanana Gusmão has become East Timor's Nelson Mandela, very much an active leader. The analyses of East Timorese intellectuals like Saldanha need wider readership.

All East Timorese ideas revolve around the perfectly reasonable notion of a negotiated resolution to the East Timor impasse - real talks with real people about real issues. This must surely represent the starting point for any peace process. The people who present them are all credible representatives of the East Timorese people, available now for negotiation. Bishop Belo represents the symbolic strength of the East Timorese sense of community. Xanana Gusmão represents the armed and clandestine resistance. A third pole could be an East Timorese who knows the Indonesian system - particularly former governor Mario Carrascalão. Others could be an academic such as Saldanha or Armindo Maia, the parliamentarian Salvador Ximenes or Indonesian Human Rights Commission Clementino dos Reis Amaral.

Indonesian Negotiating Partners

Who could be an Indonesian partner for these East Timorese negotiators? Most analyses trace the dynamics of Jakarta's limited political arena to tension between the Presidential Palace and certain factions within the Indonesian Armed Forces (ABRI). The pressing issue between these two traditional poles of Indonesian intra-bureaucratic politics is the presidential succession. Under normal circumstances this comes up once in five years (1993, 1998, 2003), but as President Suharto ages it becomes continually more urgent.

Both ABRI and the Palace have substantial stakes in East Timor. Both have obvious interests in maintaining the *status quo* - historical, prestigial and commercial reasons. ABRI in particular has an ultra-nationalist cast of mind, rigid and hostile to political diversity. Any settlement in which Xanana played a prominent part would look like a humiliating defeat for ABRI, and some officers may worry about pressure for a war crimes tribunal.

But both are also under pressure to negotiate a durable resolution. ABRI is aware that its legitimacy throughout Indonesia comes under a cloud every time it commits a publicised human rights atrocity, in East Timor or anywhere else. For a highly politicised army such as ABRI anxious to secure the presidency, legitimacy *is* important. It is probably this that lies behind recent internal ABRI conversations with both Xanana Gusmão and Bishop Belo resulting, contrary to public statements, in not just one but two or even three reports on the possibility of granting East Timor some form of autonomy. The Gaza strip scenario comes to mind. The main weakness of this approach is that ABRI is not interested in international guarantees or in an open political process.

The Palace on the other hand is much more aware of the impediment that East Timor still is to full acceptance of Indonesia by the international community. The point was brought home forcefully during the recent APEC meetings. It appears that the so-called 'London Reconciliation' meetings, of which two have been held (December 1993 and late September 1994), are an initiative of the Presidential family alone, bypassing both ABRI and (curiously) the Indonesian Foreign Affairs Department. The talks have involved Lopes da Cruz, who is Indonesian Roving Ambassador charged with promoting Indonesia's case on East Timor, and Abilio Araujo, a dissident member of the East Timorese Resistance overseas ejected from the CNRM for announcing negotiations without consulting it.

The problem with the London meetings has been that they hardly involve credible people, and that the agenda has been much too restricted. Both Xanana and Belo have rejected them. Lopes da Cruz apparently admits in private that the talks are a ploy to split the resistance movement. On the other hand, if Jakarta is to convince the UN Secretary General that these talks are real, it will have to give real content to them. Signals in that direction include the presence of the Secretary-General's emissary Tamrat Samuel at the last talks, and the veiled request for Xanana's release expressed in the final communique.

United Nations

A third process that may offer some hope is a series of meetings between the Portuguese and Indonesian Foreign Ministers sponsored by the UN Secretary-General. Three of these have been held so far, the next is scheduled for January 1995. Progress has been glacial at these meetings, but a small step forward has been the agreement by each to meet with an East Timorese representative who opposes his point of view, as a 'confidence-building measure'. In this context CNRM José Ramos Horta met with Indonesian Foreign Minister Ali Alatas in New York last October, a meeting that amounted to a degree of formal Indonesian recognition of the CNRM, FRETILIN and UDT. Another aspect of UN involvement has been the visits by a series of special rapporteurs to East Timor to investigate human rights abuses. Some reports are made public - that by Bacre Waly N'Daiye, who visited last July, came out in December and contained important recommendations.

Indonesian Democracy Movement

Finally, we should be aware of a growing popular movement for democracy in Indonesia. Since the Dili massacre in November 1991, important sections of that movement have become quite knowledgeable about East Timor, and have been courageous enough to shed an uncritical Indonesian nationalism. Most prominent among these by far is academic Dr. George Aditjondro, who is now regularly interviewed on East Timor by the mainstream Indonesian press. Already well-known before this as a journalist and environmentalist, he himself regards opposition to the Indonesian 'adventure' in East Timor as analogous to the American peace movement during the Vietnam War. Both Xanana and Bishop Belo are often portrayed in the Indonesian press in admiring terms, evidently as role models of principled resistance to an oppressive state.

Though the level of political will varies, each of these processes in their own way represent potential avenues for a resolution.

Conclusion

Our analysis has chosen to look at East Timor as now closely related to Indonesia. It becomes evident that resistance to the Indonesian nation-state, though tracing its origins to the invasions of December 1975, is today kept alive as much by contemporary factors, both social and economic. A strong sense of community, mediated by the Catholic Church, has been shaped by continual widespread terror, by economic marginalisation, and by the failure to provide genuine upward mobility within the Indonesian economy for the territory's elite.

However resolution of separatist resistance along any of the three fundamental routes has been blocked. Armed secession is highly unlikely to succeed. A degree of regional autonomy is possibly being considered within parts of the bureaucracy but publicly denied with great vehemence.

And hearts-and-mind policies such as scholarship schemes have been cut back because of suspicions of East Timorese disloyalty. Instead of heading for resolution, East Timorese separatism is being contained with further repression.

The resultant impasse is closely related to Indonesia's authoritarian political system, which has poor conflict resolution capacities. One important implication of this is that the risks for all those involved in the peace process are substantially higher than they would otherwise be. Advocacy for peace in East Timor is worthwhile but dangerous.

Rather than promote any particular path of resolution, this paper suggests some ways in which a process may break through the situation of repressed impasse. One of these is Indonesian and international publicity for the views of East Timorese themselves. Exposure breaks the terror that isolates them, and turns them from objects into subjects.

Next, consistent with the fundamental analysis, this paper looks for possible Indonesian partners in a negotiation process. It identifies four current processes: (a) an internal Armed Forces process, (b) a palace-sponsored international process, (c) a Foreign Affairs Department process sponsored by the UN Secretary-General, and (d) an Indonesian popular movement for greater democracy that includes a concern for East Timor. Some of these processes give more hope than others - indeed none give a central place to the East Timorese themselves - but they need not be mutually exclusive. Most hopes for a breakthrough now focus on some kind of autonomy for East Timor. But even to achieve that will require a much greater effort to break the cycle of repression and raise political will.

Endnotes

1. Here I would like to gratefully acknowledge the many conversations and detailed feedback from Dr. Herb Feith of Monash University, Melbourne, Australia.

2. East Timor Governor, Abilio Soares, quoted in Sydney Morning Herald, 15 April 1994. The best recent book on the invasion of East Timor and its aftermath is John Taylor, 'Indonesia's Forgotten War: The Hidden History of East Timor', London: Zed 1991. Another is Carmel Budiardjo and Liem Soei Liong, 'The War Against East Timor', London: Zed 1984.

3. For instance, East Timorese guerilla commander, Xanana Gusmão, the central unifying figure of East Timorese nationalism, was tried between 1 February and 21 May 1993 on charges that included conspiring to commit rebellion to bring about the secession of a part of Indonesia. An account of these events can be read in Herb Feith, 'The East Timor Issue Since the Capture of Xanana Gusmão', East Timor Talks Campaign, December 1993. José António Neves (or Nexis, Neixis), an important deputy of Xanana's responsible for the clandestine student network arrested on 19 May 1994, was charged on 12 December with waging rebellion to separate East Timor from Indonesia. (*Kompas*, 13 October 1994)

4. China and Vietnam sent messages of warm congratulations and were diplomatically supportive afterwards. But the usefulness of this support was obviously compromised by Cold War dynamics. The new governments in the ex-Portuguese colonies of Angola, Mozambique and Guinea-Bissau were even more sympathetic but lacked resources to pay attention to far-away East Timor. Portugal did not extend recognition, while Australia ridiculed the Democratic Republic of East Timor.

5. Foreign governments' reactions to the East Timor affair are discussed in George Alexander, 'East Timor and the Shaming of the West', TAPOL 1985. The issue is also highlighted in the standard accounts by James Dunn, 'Timor: A People Betrayed', Brisbane: Jacaranda Press 1983 (Chapter 11), by Jill Jolliffe, 'East Timor: Nationalism and Colonialism', Brisbane: University of Queensland Press 1978 (Chapter 9, and the chapter on East Timor in Hamish McDonald's 'Suharto's Indonesia', Fontana/Collins 1980 (Chapter 9). John Taylor's book was referred to above.

6. Ruth T McVey, 'Separatism and the Paradoxes of the Nation-State in Perspective', in Lim Joo Jock & Van S (eds), 'Armed Separatism in Southeast Asia', pp.3-29, Singapore: ISEAS 1984.

7. One of the main Indonesian actors in this elitist approach has just published his memoirs: E M Tomodok, *Hari-Hari Akhir Timor Portugis*, Jakarta: Pustaka Jaya 1994.

8. Some glimpses can be read in Michele Turner's 'Telling - East Timor: Personal Testimonies 1942-1992', New South Wales University Press 1992. Nothing illustrates this cruel ignorance better than Australia's *de jure* recognition of East Timor's integration with Indonesia in 1978, when the war was at its fiercest and people were dying in horrendous numbers.

9. Mgr Ximenes Belo issues a constant stream of letter and interviews published even in Indonesia. He has made recent statements on the number of deaths in the massacre in Dili on 12 December 1991, on the need for a referendum to allow East Timorese to determine their own future, calling for support from the Australian Catholic Church and government, addressing the APCET conference in Manila, and on continuing military abuses. After the capture of Xanana Gusmão, the CNRM has frequently quoted Belo in support of its political proposals.

10. Woodside Petroleum Ltd announced in mid-October 1994 that wells drilled just outside the Timor Gap area indicated oil reserves of between 100 and 300 million barrels. It seems likely that these reserves extend into the Timor Gap itself - these are waters formerly part of the Portuguese colony. Economic inequality and its relation with separatism is examined in Anne Booth, 'Can Indonesia Survive as a Unitary Nation?', Indonesian Circle, No.58, pp.32-47, 1992.

11. The best analysis of the East Timor economy is João Mariano de Sousa Saldanha, 'The Political Economy of East Timor Development', Jakarta: Sinar Harapan 1994. A critical review of Saldanha's book in English is in the December 1994 edition of 'The Missing Peace', published by the East Timor Talks Campaign, 124 Napier

St., Fitzroy 3065, Melbourne, Australia. The analysis of peace prospects in Saldanha's Epilogue parallels mine to a significant extent.

12. The first story to pick up the importance of the economic forces behind the riots is David Ingham's article in *The Australian*, 22 November 1994.

13. See the interview with CNRM guerilla commander Konis Santana by Jill Jolliffe in *The Age* and in *Publico*, both of 26 August 1994. There is an Indonesian black market in weapons to which the resistance has some access.

14. The Gadjah Mada report was banned and achieved only very limited circulation. It is available in English as Mubyarto, 'East Timor - The Impact of Integration: An Indonesian Socio-Anthropological Study', Melbourne: IRIP 1991. Herb Feith, 'New Note for East Timor: From Creative Constitution Mongering Elsewhere', *Prospek*, Vol.2, No.3, pp.262-70, 1990; later published in abbreviated form in *Far Eastern Economic Review*, 5 July 1990, Fifth Column.

    APODETI interest in regional autonomy is recalled by Indonesian journalist George Aditjondro, who was in East Timor in 1974. The latter now available in English in 'East Timor: An Indonesian Intellectual Speaks Out', Melbourne: ACFOA 1994.

15. One of these intellectuals is Saldanha (*op cit*), pp.336-41. Another is University of East Timor Deputy Rector Armindo Maia who, following demonstrations in Dili in July 1994, said autonomy was the best middle way between Indonesian official and East Timorese popular wishes. The most outspoken parliamentarian in Jakarta is Salvador Ximenes Soares, part-owner of the Dili newspaper *Suara Timor Timur.*

16. The CNRM Peace Plan is accessible as an appendix in Herb Feith, 'The East Timor Issue Since the Capture of Xanana Gusmão', 1993.

17. 'Change in the Wind', *Far Eastern Economic Review*, 6 October 1994.

18. Students of the issue would do well to start with the Liechtenstein Initiative on Self-Determination to the UN in March 1993. This proposal is concerned to assist states with frustrated distinct communities in formulating some kind of internal autonomy for those communities. It is easily accessible as Appendix 8 in Herb Feith, 'The East Timor Issue Since the Capture of Xanana Gusmão', 1993. This entire publication is excellent reading on prospects for peace in East Timor. See also Herb Feith and Alan Smith, 'Self-Determination in the 1990's: Equipping the UN to Resolve Ethno-Nationalist Conflicts', in K. Rupesinghe (ed), 'Conflict transformation', London: Macmillan 1993.

19. See 'Getting to Know You: East Timorese in Indonesia', *Inside Indonesia*, No.28, October 1991, pp.8-9.

20. Fernando de Araujo was in May 1992 sentenced to nine years gaol for telephoning human rights information to overseas organisations. He was accused of attempting to gain 'the sympathy of the international community for the abuse of human rights in East Timor'.

21. Eg., AFP, July 17 1994.

The East Timor Issue in Indonesia

Max Lane

The situation in and the status of East Timor is a frequent topic of public comment in Indonesia. This has especially been the case since the massacre of peaceful protesters in Dili, 1991 and the consequent international campaigns and attention being paid to Indonesia's policies in East Timor. Despite the frequent public comment, this has not developed into a broad public debate on the future of East Timor. Most of the discussion or reporting on East Timor in the Indonesian press has reflected Jakarta's diplomatic and public relations campaigns on the issue. It has been only on the very rare occasion that an alternative view has received public airing or even had its existence recognised.

Public discussion in the press has mainly concentrated on the statements and activities of Foreign Minister Ali Alatas or of East Timorese in or associated with the occupation government in East Timor. In particular, the various governors of the province of East Timor, East Timorese members of the provincial or national parliament and East Timorese appointed to Indonesian diplomatic posts have received the most attention. In recent times, there has been some expansion of this scope to encompass opinions of East Timorese academics.

The partial exception to this narrow focus was the public discussion that occurred immediately after the massacre in Dili in November, 1991. It was during the months after the massacre that Indonesia saw the most discussion of the East Timor issue to date. Comment was no longer confined to Foreign Affairs officials and East Timorese officials of the Indonesian or the occupational authorities. During this period many civilian political figures also commented. Even during this period too however, the range of perspectives remained limited.

The Debate After Dili

The main change reflected in the discussion after the Dili massacre was the recognition of the level of discontent that existed in East Timor. This was a major advance for the discussion which previously had never recognised the existence of genuine high levels of discontent. Previously, all discontent was attributed to the activities of the *"Gerombolan Pengacau Keamanan"* (Security Disrupting Gangs) as the armed resistance was called. This recognition represented the advance in the discussion. Its continuing limitation was the refusal to acknowledge the desire for independence amongst the East

Timorese as a factor in the discontent. The range of perspectives that was able to be reflected was limited to either outright supporters of the regime's hard-line policy as reflected in General Try Sutrisno's "shoot the delinquents" policy or those who sought the reasons for the discontent in either socio-economic problems or the harshness in the method of rule.

Typical of the new analysis of the discontent was that presented by one of the more liberal GOLKAR parliamentarians of the time, Marzuki Darusman. He was quite clear on the issue of the status of East Timor:

> *"Timtim adalah propinsi ke-27 Indonesia dan itu fakta. Hal-hal lain mungkin memang masih diperdebatkan." (East Timor is Indonesia's 27th province and that's a fact. Perhaps other matters can still be debated.)*[1]

Darusman went on to say that many East Timorese had not developed a "sense of identity" with the government, except during the period of Governor Mario Carrascalão.

At the same time, the Deputy Chair of the Parliament, Soekardi, indirectly asserted that unequal economic development was the context in which the East Timorese discontent had developed. He stated that Indonesia must look at the East Timor issue

> *"tanpa menghubung-hubungkan dengan masalah lain, misalnya pembangunan yang kurang merata, sekalipun itu merupakan latar belakang." (without relating it to other issues, such as unequal development, even though that does constitute the background.* [2]

The more explicit reference to socio-economic conditions came from the extensive commentaries from a number of academics. Professor Budhisantoso from the University of Indonesia and head of the Ministry of Education and Cultures' History and Traditional Values Directorate, put it this way:

> *Sumber permasalahan sebenarnya adalah soal langkanya lapangan pekerjaan. Lihat saja, pendidikan di Timtim menghasilkan sekian banyak pemuda terdidik. Hasilnya, mobilitas sosial meningkat tetapi wadah yang menyalurkannya sangat sempit. Nah, ketidakpasan di sektor ini disalurkan lewat protes-protes politik anti-integrasi. (The problem is the lack of employment prospects. Just look, education in East Timor produced so many educated youth. The result has been that social mobility has increased greatly but there are no adequate vehicles to channel this mobility. Ah, the discontent that has resulted is channelled into political protests against integration.)*[3]

Two academics, Dr Riswandha Imawan and Dr Muhadjir Darwin, from the prestigious Gajah Mada University put forward a similar view.

> *Kerusahan di Dili lebih tepat dilihat sebagai bentuk kejenuhan masyarakyat Timor Timur terhadap melebarnya kesenjangan ekonomi di daerah itu. Sehingga, tidak tepat jika dilihat sebagai persoalan politik.*
>
> *(The protests in Dili are best seen as a form of the frustration in East Timorese society with the widening economic gap in that society. So it is not appropriate to see it as a political problem.)*[4]

This kind of view was very widespread among academic circles. From more politicised intellectuals and political figures themselves, more emphasis was put on the method of rule, i.e. the level of coercion or violence being used in the province.

One of the clearest condemnations of the use of violence in East Timor that entered into the public debate as reflected in the media came from the *Forum Demokrasi* (FODEM - Democratic Forum), a loose forum of political figures and intellectuals. On 28 November at a press conference a FODEM spokesperson, human rights lawyer T Mulya Lubis, read out a statement on the Dili incident.

> *Satu sebab yang pasti dari timbulnya korban nyawa dalam peristiwa tersebut adalah penggunaan kekerasan dan kekuatan senjata. Pengandalan kekuatan dengan menggunakan kekerasan dan tindakan paksa, apalagi kekerasan senjata, secara prinsip adalah pelanggaran terhadap wilayah damai penyelesaian pertikaian dalam sistem demokrasi. (Certainly one of the reasons for the loss of life in that incident was the use of violence and armed force. The use of coercion, through the exercise of violence and acts of force, especially the use of armed force, is a violation of the principle of the peaceful resolution of differences in a democratic system.)*[5]

Similar sentiments were also expressed in statements issued by the *Yayasan Lembaga Bantuan Hukum Indonesia* (YLBHI - Indonesian Legal Aid Institute Foundation).

Again, however, there was no direct reference to the suppression of the desire amongst many East Timorese for independence as the primary source of discontent. On the other hand, the discussion took up many pages in the Indonesian press and established the issue as one of national concern. Moreover, while there was no open or public debate of the political reasons for the East Timorese discontent - the denial of self-determination - a new terminology was consolidated that has added legitimacy to the pro-independence forces and pro-independence sentiment. *Gerombolan Pengacau Keamanan* was still used, however, the newer term *"anti-integrasi"* (anti-integration) began to gain usage.

There is no doubt that the protests in Dili on November 12, 1991 and the international outcry over the massacre of the protesters forced a much more extensive public discussion of the East Timor issue than had previously occurred. Within a few months, however, the debate had subsided and most of the press coverage resumed its character of reflecting the government's diplomatic and public relations campaigns. While the public debate in the media did recede, East Timor had won a higher place on the political agenda. This more prominent place has been sustained by a number of intersecting political developments.

The East Timor Issue and the Growth of the Pro-Democracy Movement

The issue of East Timor has been able to maintain a more prominent place in Indonesian public debate as a result of two intersecting political trends.

Firstly, there has been an increase in international pressure on Jakarta as a result of the persistence of the political opposition in East Timor to Indonesian rule. The protests during the 1990 visit of the Pope, the November 1991 protests and smaller demonstrations during the visits of various journalists to East Timor, and the 1994 university student demonstrations against religious discrimination has made it possible for supporters of East Timorese independence to wage more effective campaigns outside Indonesia. The persistent outspokenness by Bishop Belo, especially his call for a referendum, has helped these campaigns be more effective. As a result, some governments influential in Jakarta, such as the United States, Japan and the Netherlands, have found it necessary at least to make rhetorical concessions to domestic public opinion by becoming slightly more assertive on the issue of human rights in East Timor. Only Portugal in the First World has raised the issue of self-determination itself.

This pressure has made in necessary for Indonesia to keep making diplomatic manœuvres which in turn has required public statements and comments, which has kept the issue in the media and the public eye.

The high profile of the international issue has also meant that Indonesian intellectuals, politicians, non-government organisation figures, and human rights activists have been persistently asked questions about East Timor at international forums.

Secondly, due to separate reasons, there has been a growth in the pro-democracy movement in Indonesia and an increased radicalisation within that movement. The growth of the movement has produced the democratic space needed to be able to raise the issue without being arrested immediately. It has emboldened critics of Timor policy. The radicalisation within the movement has meant that there has been an increasing spectrum of opinion willing to defend the right to self-determination for East Timor. The major change within Indonesia contributing to the possibility of East Timor to develop as an increasingly important political issue is the growth and radicalisation of the democracy movement.

The Growth and Radicalisation of the Democracy Movement

The Conservative Character of the "Loyal Opposition" at the Time of the Timor Invasion - 1975

The coming to power of Suharto's New Order was accompanied by the systematic and comprehensive suppression of all those political forces which had come together on the basis of opposition to the growing power of the *Tentara Nasional Indonesia- Angkatan Darat* (TNI - Indonesian Army) before 1965. At the centre of this suppressed radical grouping was the *Partai Komunis Indonesia* (PKI - Indonesian Communist Party), but numerous other mass organisations, smaller parties, factions of parties and individuals were part of this group. Between 500,000 and 1,000,000 members and supporters of this left alliance were killed and the PKI and all associated organisations and publications were banned. Almost 100,000 people were detained without trial. Approximately 20,000 were imprisoned for 14 years.

While the PKI was the centre of a coalition opposed to military power and foreign capitalist penetration, the TNI was at the centre of a post-1965 coalition opposed to rule by the PKI. This coalition comprised the TNI leadership under Suharto, most of the Moslem political groups, the leaders of the *Partai Sosialis Indonesia* (PSI - Indonesian Socialist Party) and a number of anti-communist intellectuals and student leaders. It was this New Order alliance that took over the government, the press and the universities during 1965-66.

The suppression of the left was so violent and total that the only opposition to the New Order over the next twenty years came from disaffected elements from within the New Order alliance.

The first wave of dissent occurred in the early 1970s and was led by figures such as Arief Budiman who had also played a leading part in organising the minority student opposition to the PKI before 1965 and in 1966-67. The target of this dissent was corruption and the undemocratic implementation of the 1971 elections. The second wave of dissent, involving large demonstrations by students, occurred in 1973-74 and was led by Sjahrir and Hariman Siregar. Both had connections with leaders of the PSI and other former opponents of the PKI before 1965. Sjahrir himself had been a student leader in the anti-PKI alliance before 1965. Over hundreds were arrested and gaoled during the crackdown in January, 1974, including key leaders of the PSI. The targets were corruption, Presidential authoritarianism, excessive military power and the increasing gap between rich and poor. The third wave of opposition developed in 1978, also based on campus, and was led by a new generation of student leaders who, however, maintained close contact with leaders of the earlier waves.

After the 1975 student protests, independent student politics was effectively suppressed for ten years. During this period, two new centres of dissent emerged. The first to emerge were the non-government organisations, in particular YLBHI. The second, which emerged in 1981, was the *Petisi 50* (Petition of 50). Both these groups' top leadership was composed of early participants in the New Order alliance. The non-government organisations, also drew many of their leaders and activists from the students involved in the 1972, 1973-4 and 1978 waves of dissent and opposition.. The NGO's and the *Petisi's* targets combined the concerns of the previous waves of protests, in particular corruption, Presidential authoritarianism, excessive military power and the increasing gap between rich and poor.

While the post-1974 concern with the increasing gap between rich and poor laid the basis for the later radicalisation, it still remained true that the NGO's and the *Petisi* continued to hold to many of the more conservative political views that took them into an alliance with the TNI against the PKI in the first place.

- They remained anti-communist and anti-PKI and carried out no serious activity in relation to the 20,000 left-wing people held in gaol without trial up until 1979.
- In their attempts to achieve some reform under the New Order, their fundamental strategy remained one of lobbying the government and seeking supporters with the Armed Forces leadership.
- While they did begin to exhibit increasing concern for the plight of workers and peasants, they still viewed direct political action by those social groups as a communist activity.

This then was the character of the only active political opposition to Suharto's New Order when Suharto ordered the invasion of East Timor in 1975. Not surprisingly no significant resistance to Suharto's war policy emerged from within this opposition. The Suharto government's depiction of FRETILIN as communist and FRETILIN's active mass base meant that there was no real sense of solidarity on the part of the Indonesian opposition with the East Timorese national liberation movement.

Radicalisation and Its Implications for Attitudes Towards East Timor

The first indications for the potential for radicalisation were reflected in some of the ideas emerging from the NGOs. In particular, the concept of *"hak azazi struktural"* (structural human rights) marked a break from the approach to the question of human rights and democracy that had prevailed during the 1970s. In 1980 and 1981, YLBHI under the directorship of T. Mulya Lubis, broadened its concerns beyond courtroom litigation and even beyond advocacy for civil liberties. Firstly, it expanded its concerns to the socio-economic rights of people - health, wages, land etc. Then it further developed its thinking concluding that these socio-economic rights as well as basic civil liberties could not be addressed properly without change in the power structure of society.

However, this new approach did not lead to a transformation in the politics of the NGOs. While the need for a change in the power structure was recognised by "structural human rights", there was very little discussion of the strategies needed to achieve such changes. The NGO opposition, although with no more links to grassroots communities than in the past, still continued with the strategy of lobbying through the media and seeking allies or sympathetic elements within the government.

The real process of radicalisation began as a result of student and youth activists becoming frustrated with the strategy and tactics of the past. A series of new groups emerged during the mid-1980s. Student activists, responding to a rise in farmer protests against land confiscation, helped establish student-farmer solidarity committees. By 1990 spontaneous worker protests had increased enormously and ad hoc student-worker committees emerged.

This kind of activity provoked consideration of such issues as the role of workers and farmers in political change, which in turn prompted activists to begin to study the history of Indonesian labour and peasant movements throughout the twentieth century. This led to an increased knowledge of the history of the Indonesian left, including the history of the PKI. The Indonesian left, suppressed so totally in 1965, had received a boost in legitimacy as a result of the 1980 publication and then popularity of the novels of Pramoedya Ananta Toer, a leading intellectual associated with the pre-1965 left. It also brought more activists into contact with international radical thinking.

This combination of developments:

- ended the hegemony of the political thinking of the dissidents of the 1970s, most of whom still carried with them the conservative prejudices which lead them to ally themselves with the army in 1965; and

- through the increased role of direct actions (strikes, demonstrations) introduced the issue of militancy and confrontation,.

Both these developments have major implications for attitudes to East Timor. The loyal opposition, even as it grew less and less loyal, still shared some prejudices which influenced its attitude to East Timor but which were not shared with the radicalised section of the democracy movement.

Attitude to Mass Politics

One attitude shared by the whole of the original New Order alliance was opposition to mass politics. The mass mobilisations of millions of village and urban poor by the PKI and the *Partai Nasional Indonesia* (PNI - Indonesian National Party) in support of President Sukarno's radical and anti-West policies frightened not only the TNI but most of the other groups which allied themselves with the TNI. When Suharto took power in 1965 and began to establish the New Order, he set out not only to smash the PKI but to end all mass mobilisation politics. Eventually, under the slogan of "depoliticisation", even the remaining legal conservative and moderate political parties were banned from political activity in the villages and small towns.

Instead of the *gerakan massa* (mass movement) that Sukarno and the PKI favoured, Suharto supported the concept of *massa mengambang* (floating mass). Political activity by the masses was seen as the main enemy.

Suharto was in the middle of consolidating this "floating mass" policy when the revolution occurred in Portugal and mass political activity broke out in East Timor. He had just been reminded of the volatility of the Jakarta masses in January 1974 when student protests were transformed into urban rioting. There is no doubt whatsoever, the main fear motivating the invasion of East Timor by Indonesia was the New Order's fear of open mass political activity on its borders. The anti-communist propaganda against FRETILIN was also motivated by this fear. Mass rallies, mass movements were seen as the methods of communist movements. Mass political activity and communism were seen as one and the same thing.

This attitude was - to one extent or another - shared by all the elements of the New Order alliance, including those that later broke with the New Order. This attitude was and still is a key factor in the conservative opposition's suspicion of the East Timorese resistance. The new radical wing of the democratic wing is freed of that prejudice. In fact, there are significant radicalised groups who aspire to building a mass movement.

End of Taboos

It is very interesting that the first public protest which involved putting forward a demand for a referendum on self-determination in East Timor was organised by a political group that was founded to protest the execution of PKI political prisoners. The two most fundamental political taboos under the New order have been **the defence of people associated with the PKI** and **support for the national liberation of East Timor**. These two issues are tied together by the PKI's and the East Timorese resistance's reliance on mass politics.

In 1900 the Indonesian Front For the Defence of Human Rights (INFIGHT) was formed by the most radical elements of the New Order renegades of the 1970s and several 1980s radicals. INFIGHT was formed to protest against the planned execution of several long term PKI political prisoners. INFIGHT was also the first Indonesian organisation to demand a referendum on self-determination in East Timor. This occurred during street protests organised by INFIGHT activists against the US involvement in the Gulf War against Iraq. Key INFIGHT activists were detained and severely interrogated concerning the demand for a referendum. It is also worth noting that INFIGHT was the first attempt at a political front that openly sponsored mass actions by workers and peasants.[6]

End of Identity with New Order

A further factor which constrained the loyal opposition against solidarity with East Timorese liberation was an underlying identity with the New Order. Many loyal oppositionists, ranging from Buyung Nasution to Ali Sadikin to various PSI figures, had worked with the TNI to help establish the New Order.

Many of them framed their criticism of the Suharto government in terms of its alleged betrayal of the New Order's ideals, supposedly ideals of democracy and the rule of law. As a result, they were very sensitive to foreign criticism of the New Order's record **regarding the massacres and treatment of leftist political prisoners**. This was especially the case as the loyal opposition had never seriously taken up this question. This sensitivity had helped contribute towards a "my country, right or wrong" attitude. This was true even amongst opposition figures, although it tended to weaken in the 1980s.

When Indonesia invaded East Timor in 1975, the strongest foreign criticism often came from the same human rights and political groups that had been challenging Indonesia on its treatment of political prisoners. As a result both the New Order government supporters as well as its loyal opposition tended to close ranks in defence of the government's East Timor policy.

Again the newly radicalised section of the democracy movement feels no identity with the New Order. It tends to reject the notion that the New Order came to power with any democratic ideals and points to the mass slaughters of 1965 and the banning of the PKI and many other political organisations as evidence for this.

Many of the new organisations have had no compunctions in raising the issue of East Timor in international forum. The first group to do this was the clandestine *Front Pemuda Nasional* (FPN - National Youth Front), whose international representative during 1991-2, Helmi Fauzi, attended international conferences in Australia, Portugal, and the Netherlands, where he is active in opposing Indonesian occupation. In 1992, further delegates from the FPN visited Portugal.

In June 1994, Rachlan Nashidik, chairman of PIJAR, (*Centre for Information and Action Network for Democratic Reforms*) attended the Asia Pacific Conference on East Timor (APCET) in Manila where he also delivered a statement opposing Indonesian policy. In part, it read:

> *It was not an easy decision at all for Indonesian citizens like us to decide to accept the invitation of the organisers of this Asia Pacific Conference on East Timor (APCET).*
>
> *Our first commitment is to justice: that the people of East Timor should have the opportunity to determine their own fate. Only then can there be peace between Indonesia and East Timor, and the violence which has cost so many lives can be ended.*
>
> *To be truthful we are too clever to be bamboozled by nationalistic sentiment, under the slogan "my country right or wrong." We are a generation who understand that our task is to establish democracy and welcome the honouring of human rights. We do not accept the ways of our regime: to defend everything in the name of nationalism.*
>
> *We come here to this conference in the Philippines ignoring our government's dislike of this conference.*

> *We are here in this conference because we cannot refuse to see that East Timor is part of the democratic and human rights struggle in Indonesia. Violence, repression and coercion in East Timor must be stopped in the name of our humanity, and of life itself, in the name of the victims that have fallen on both sides. The cries of children that have lost their fathers and mothers, their relatives, is the same everywhere: in East Timor and in Indonesia. We cannot let so many victims fall because of misunderstanding, hostility and revenge.*
>
> *Our constitution states that "independence is the right of all peoples, and because of that colonialism must be wiped from the face of the earth, because it is in conflict with humanity and justice." The people of East Timor must have these rights that are so declared in our constitution.*
>
> *Are we then traitors to our nation? You all, and especially our own people, must be able to answer that question clearly and without hesitation.*
>
> *Finally, may we thank the Filipino people for organising this conference.*
>
> *Democracy is the most precious possession of the Filipino people. Do not let it be lost. Do not let President Fidel Ramos stop this conference unless you are willing to become the 28th province of Indonesia.* [7]

PIJAR was formed in 1989 by student activists in Jakarta.

Activists, primarily students and intellectuals, from PIJAR, INFIGHT and SKEHPI have joined with others to form the Alliansi Demokrasi Rakyat (ALDERA - Peoples Democratic Alliance). ALDERA has also been represented at conferences on East Timor in Europe in 1994.

Radicalisation and Self-Determination as a Principal

In 1990 activists radicalised through the student-worker and student-farmer networks began to publish a 64 page bi-monthly magazine called PROGRES. This magazine reflected the view of the most consolidated radical political current in Indonesia. PROGRES consistently supported right of self-determination, not only for East Timor, but also for Aceh and West Papua. PROGRES led the way in popularising support for the East Timorese struggle. It published excerpts from the writings of Xanana and FRETILIN poems and songs.

In 1993, after PROGRES stopped publishing due to financial problems, the same political current started to publish a smaller bulletin, called INDONESIAN MOBILISATION (IMOB). IMOB also took a principled position on the right of self-determination in East Timor. In issue No. 2, of IMOB, the editors reviewed the recent history of East Timor in the following words:

> *In 1976 [75?] a military invasion was fully launched by the Indonesian government. The military weapons used by the Indonesians in the invasion were supplied by the U.S. government through its military aid program. There were at least thousands of East Timorese executed in the invasion. Since then, the Indonesian military have never stopped killing the local people. They continue murdering the East Timorese who refuse the integration. Statistically, more than 200,000 Timorese died in the first five years of Indonesian occupation.*
>
> *Long after the 1976 invasion, on an afternoon of November 1991, the Indonesian military again killed about 150 young Timorese and at least 100 were kidnapped. Several young people were arrested. It is known as the Dili massacre. Following the massacre, a few months later, some leaders of FRETILIN, like Xanana Gusmão, Mahunu, and so on were also arrested.*

> *Now it seems that the Indonesian government still would not remove the armed forces put in East Timor.*
>
> *Besides East Timor, Indonesian military have made some of the same exterminations over the people of Aceh and of West Papua.*
>
> ...
>
> *Finally above all the struggle of the people of East Timor, of Aceh, and of West Papua is still going on. They would never end until they get their rights. Long live the people! Struggle and unite!* [8]

The network in which PROGRES and IMOB had significant impact has continued to grow and to branch off in different directions. There are a number of organisations that have emerged since 1992 that can be said to more or less espouse similar views. The most radical is the clandestine FPN, which draws part of its inspiration from the traditions of the classical left, international and Indonesian. In this respect, it upholds the early socialist principal of the right to self-determination of nations. The FPN was the first organisation to have a representative overseas - Mr. Helmi Fauzi - speak openly in support of this issue.

Some commentators also consider that PROGRES itself was a FPN publication.

Two other key organisations have emerged out of this loose network, namely, *Persatuan Rakyat Demokratik* (PRD - People's Democratic Union) founded on May 1, 1994 and *Solidaritas Mahasiswa Indonesia Untuk Democrasi* (SMID/SSDI - Students in Solidarity for Democracy in Indonesia). At the founding congress of PRD, an overwhelming majority voted for a resolution supporting self-determination and a referendum in East Timor. PRD's initial manifesto also reflected this direction with a statement of support for the "democratic rights of the East Timorese **nation**". Activists from the *Komite Rakyat* (KR - Peoples Committee), a supporting organisation of PRD based in Yogyakarta, also toured Australia in 1994 where they spoke at a number of major political conferences and East Timorese groups in support of self-determination.

It can be expected that as the PRD consolidates itself in the face of harassment from the government and some hostility from more conservative opposition groups, that it starts to play a significant role in furthering the discussion of democratic questions such as East Timorese self-determination.

SSDI was founded in 1991 and soon after became a member of the Asian Students Association (ASA). ASA has been as active campaigner in support of self-determination in East Timor, with the full support of SSDI. An ASA representative also attended the 1994 APCET conference in Manila.

Spectrum of Support for East Timor

Forcing the Pace

There are at least three clear political currents now firmly in support of self-determination in East Timor, which have played the role of forcing the pace.

Firstly, the clandestine FPN, whose views are reflected in PROGRES and IMOB, giving unqualified support to self-determination in East Timor. Being a clandestine organisation it is difficult to assess its size and political weight. However, it is clear that while it was publishing PROGRES magazine it had a major impact amongst a very broad activist milieu.

Secondly, the PRD and SSDI which have also both taken strong stands on the issue. These two groups have growing support amongst students and workers. Also aligned with SSDI and the PRD are the new workers organisations *Pusat Perjuangan Buruh Indonesia* [9] (PPBI - Indonesian Workers Struggle Centre) and the cultural organisation *Jaringan Kerja Kesenian Rakyat* (JAKER - Peoples' Art Network). PRD- SSDI-PPBI-JAKER have an organised presence in at least Jakarta, Bandung, Yogykarta, Semarang, Surabaya, Menado and Medan. While a new organised political force on the political scene, these forces represent an extremely important factor in forcing the pace of the democratic movement, being the only group with organised support amongst urban workers and farmers as well as students.

Thirdly, the vocal student and intellectual democrats of ALDERA, including PIJAR. ALDERA also has contacts with workers and farmers, but it relies on a combination of attempted high profile political acts and alliances with elite opposition political figures for its strength. In the last two years these forces have played the main role in raising Indonesian voices against the occupation of East Timor outside Indonesia, such as in the Philippines and Europe.

Together FPN, PRD-SSDI-PPBI and ALDERA represent a good early base for the growth of pro self-determination opinion in Indonesia. They all appear to be solidly based in the growing democracy movement, despite harassment from the authorities. Several PIJAR and ALDERA activists have been gaoled as a result of their participation in anti-Suharto demonstrations. There are warrants and summonses out against SSDI and PPBI activists also. Despite this harassment, however, all these organisations continue their activities including major actions such as a series of strikes and demonstrations on October 26, 1994 to announce the formation of PPBI.

There are also other locally based groups whose activities are contributing to the strength of the self-determination current. In Yogykarta, for example, the *Lembaga Kajian Hak-Hak Masyarakat* (LEKHAT - Institute for the Study of Social Rights), has published four issues of[10] *Suara Rakyat Maubere* (Voice of the Maubere People). This publication provides information on the struggle of the East Timorese national liberation movement.

In discussing the spectrum of support for self-determination of East Timor, it is also necessary to look beyond these three clearly defined pro-self determination currents.

The radicalisation of the democracy movement - reflected in the recent emergence of FPN, PRD-SSDI-PPBI and ALDERA [11] - has also had a more general impact on democratic politics. The combination of the high profile anti-Suharto activism of the ALDERA activists, as well as the students in *Front Aksi Mahasiswa Indonesia* (FAMI - Indonesian Student Action Front)[12], and the constant and persistent activity promoting workers and farmers issues and actions around specific demands for reforms by the PRD/SSDI groups have forced open a steadily increasing "democratic space".[13] The persistence of these public actions forced onto the public political agenda a broader and broader range of issues: presidential succession, worker's right to organise, wages and conditions, land confiscation and treatment of peasants, handling of demonstrations, and so on. The detentions and trials of students during the 1990s has not resulted in a decline of the movement. In fact, these acts of repression have been met with persistent defiance which in turn has emboldened the movement as a whole. PIJAR students, such as Coki Naipospos and Beathor Soeryadi, who both spent more than two years in gaol immediately started campaigning after their release from gaol.

The media coverage of these issues quickly shifted from the initial news reports of protests, strikes and demonstrations to more and more prominent commentaries, discussions and debates on the issues themselves.

By 1993, for example, coverage of workers issues had shifted from factual reports of factory strikes to front cover feature coverage of issues such as the murder of worker activist, Marsinah. Of course, this trend was eventually met with the closure of **Tempo**, **Editor**, and **Detik**. In this more politicised atmosphere, critics and oppositionists became more emboldened, not simply in relation to their day-to-day tactics but also in their thinking about broader agendas.

Shifts in the Moderate Opposition

Over the last few years, there have been a number of initiatives on the East Timor issue coming out of the sections of the increasingly less and less loyal opposition. This has particularly been the case in relation to NGO, academic and student or intellectual dissidents.

Groups such as PETISI have not shifted on the East Timor issue and still generally support the government's policy, confining their criticisms to the excesses of the occupation. Neither has FODEM moved beyond criticisms of excesses in the form of human rights violations. The partial exception here is the well known record of FODEM spokesperson and General Chairman of the *Nahdatul Ulama* (NU, a major Islamic organisation), Abdurrachman Wahid, in speaking in favour of a political resolution, involving talks with all parties, of the East Timor question. However Wahid has not taken a high profile stance on this issue in Indonesia. It is also not clear to what extent his views are supported in either FODEM or NU.

The two centres of moderate opposition that have become more vocal on the East Timor issue are the YLBHI and the academic, George Aditjondro. YLBHI's stances on East Timor have still been restrained. This is primarily a function of the conservative character of its governing board, whose membership very much reflects the original conservative attitudes of the late 1960s. In its day-to-day activities, much more in the hands of the younger political activists employed at YLBHI has, of course, attempted to provide legal assistance to Xanana Gusmão imprisoned in Jakarta. More importantly, YLBHI activists have used their publications, such as *Indonesian Human Rights Forum* and *Jurnal Demokrasi*, to give space to the voice of the pro-independence East Timorese, especially through the presentation of excerpts from Xanana Gusmão's defence statement.[14]

The shift in attitude on East Timor amongst NGOs was also reflected in the position taken by Indonesian NGOs For Democracy (INFID), a coalition of NGOs, established to be able to make representations to the Vienna UN Conference on Human Rights. INFID also began to raise human rights concerns on East Timor more firmly than previously and stepped towards also raising the self-determination question. Previously, Indonesian NGOs had always avoided the East Timor issue at international forums. An Indonesian NGO committee on East Timor has also now been formed.

At the same time, however, the mixed composition of the governing boards of many NGOs, many of which still reflect the politics of the early period of the "loyal opposition", has meant that the NGOs have not been able to play the same vanguard role as radicalised democratic groups.

George Aditjondro, however, has played somewhat of a vanguard role. Aditjondro, an academic at the Satya Wacana Christian University and a long term NGO activist, has published a range of papers on the economic, social and ecological situation in East Timor. In early 1994, he also went public on Australian television supporting the accounts of the 1991 Dili massacre put forward by the East Timorese resistance. He clearly described the Indonesian presence as an occupation. He repeated his arguments in Indonesia shortly afterwards. He has also argued this position in Europe.

At the time of writing, he is undergoing interrogation by Indonesian police authorities about various speeches he is alleged to have made. Again, it is not clear how much support Aditjondro has among intellectual and NGO circles. Aditjondro is involved in attempts to form a new organisation, *Pergerakan Emansipasi Rakyat Nusantara* (PERAN - Movement for the Emancipation of the Nusantara Peoples). The discussions to form PERAN are not finalised and the eventual composition of its membership not definite. At this stage, it appears to be drawing support from dissident academics and elements of various community development and social issue oriented NGOs. The discussion documents include a general statement of support for the principles of autonomy and self-determination.

Prospects for Growth of Support for East Timor in Indonesia

The same two factors that have forced an increasing discussion of East Timor in Indonesia up until this time continue to be the main factors: firstly, the increase in foreign pressure on Jakarta as a result of the persistence of the East Timorese resistance and international solidarity campaigns and secondly, the growth and radicalisation in the pro-democracy movement.

The first factor is again asserting itself as the Suharto government intensifies its search for a "solution to the East Timor problem". Suharto needs some formula of special treatment for East Timor, which will receive support beyond those East Timorese holding positions in the Indonesian government, that can provide the basis of a new diplomatic and public relations campaign that might undermine international solidarity campaigns. This is reflected in recent discussions on the question of "special treatment" in Jakarta and East Timor and international meetings with breakaway elements from the FRETILIN External delegation.

The Suharto government has been engaged in a range of discussions meant to give the impression that it is considering a change of policy on East Timor. There has been increasing discussion of the need "to give special treatment to the province." According to the October 6 **Far Eastern Economic Affairs**, a special report, an Indonesian Armed Forces team recommends changes to existing practice in East Timor. The Jakarta installed governor of East Timor, Abilio Soares, has also made recent calls for East Timor being made a "special region". There has been increased public discussion in Jakarta about the need for changes to social and economic policy in East Timor. Even Maj-General Adang Ruchiatna, commander of Region IX which includes East Timor, attended the recent launching of a new book, The Political Economy of East Timorese Development, by João Mariano de Sousa Saldanha. The book criticises current development policies for being too top-down and over centralised, echoing some of the growing sentiments in many East Timorese community organisations.

The discussion in Jakarta about giving East Timor "special treatment" is parallelled internationally by Jakarta's attempts to build links with East Timorese exiles willing to engage in a reconciliation process. On October 1, a meeting was held between East Timorese working with the Jakarta government and a group of East Timorese led by expelled former FRETILIN leader, Abilio Araujo. The meeting issued a statement, referred to as the "London spirit", which among other things expressed "appreciation and encouragement of the Government of Indonesia for its concrete efforts to bring about the development of East Timor as well as its efforts to take legal measures against human rights violation in East Timor," and called on the Indonesian government to give "special consideration to the administration of East Timor given its distinct historical background", "to consider the special situation of East Timorese in custody and to take further appropriate measures aimed at their release"; the need to "continue to implement the gradual reduction of troops in East Timor," and the "need to introduce in the schools all disciplines that contribute to safeguarding the cultural heritage of the people of East Timor."

The meeting was projected as part of the implementation of an Indonesian undertaking to facilitate talks with a wide range of East Timorese, apart from those co-operating with the Jakarta regime. The statement also stated that the desire for more talks with other East Timorese, but on the basis of the "London Spirit", however, is specifically aimed at isolating FRETILIN. A part of the preamble of the statement in describing the "London Spirit", refers to the unilateral declaration of independence by one party (i.e. FRETILIN) and the proclamation of integration into the Republic of Indonesia by the other four parties as well as the subsequent Indonesian involvement upon the request of the four parties." There is obviously no mention of any invasion by Indonesia.

The increased discussion of so-called "special treatment" and the London agreement are no doubt aimed at convincing a sufficient section of international public opinion that international pressure and public campaigning is no longer necessary.

In an interview on October 1 in East Timor, however, Bishop Belo, head of the East Timorese Catholic Church, gave a somewhat more realistic picture of the kind of "special treatment" that is being given to East Timor. Belo recounted to journalist Edward Olsen-Hafstead, the intensive surveillance of military intelligence, sometimes resulting in him being unable to communicate with his parishioners.

The Church has recently established a Justice and Peace Commission but, according to Belo, the military are opposed to this commission. "According to them it is a political movement of the resistance."

Belo himself has also argued for special status for East Timor and recently wrote to Jakarta on this issue. He told Olsen-Hafstead that he had already received a reply. "I have already received a letter for the Co-ordinating Minister for Politics and Security. They reject all six points of my letter. They do not accept a referendum. They do not accept special status. And they do not accept me as an intermediary for peace talks because, according to them, I am openly with FRETILIN." Indonesian Foreign Minister, Ali Alatas, echoed these sentiments when he stated that East Timor already has more substantive autonomy than any other "Indonesian province".

While these manoeuvres are aimed at diverting attention away from the issue of self-determination, they also serve to keep East Timor on the political agenda.

The continuing development and radicalisation of the democracy movement is, of course, dependent on many factors. The underlying causes of the emergence and growth of the radicalisation are not going to go away. These continuing trends include:

- the extremely rapid growth of a new working class, torn away from old ways of life in small town, village or urban hamlet Indonesia and forced to live in highly exploitative industrial enclaves;
- increasing frustration with the lack of democracy and widening gap between rich and poor among students and youth;
- slowly increasing instability in socio-economic conditions for the peasantry as industry and large scale development encroaches into rural areas;
- resentment among newly born professional and well educated white collar working class at intellectual and cultural control by rulers; and
- declining influence of the political ideas and ideologies of the New Order alliance, including the ideas of the New Order alliances renegades, of the "loyal opposition" of the 1970s.

Only a massive crackdown by the Suharto regime might stop the growth and radicalisation of the democracy movement at this point. Assassination, such as that of Marsinah; arrest or harassment, such as those of the SSDI, PIJAR and FAMI students or of trade unionist Moktar Pakpahan; press closures, such as those of **Tempo**, **Detik** and **Editor**, have not stopped the spread of pro-democratic activity. Such a crackdown would have enormous political costs for the regime as it would have no real allies or supporters in carrying out such a policy, either inside Indonesia or outside.

With East Timor kept on the agenda as a result of the resistance struggle in East Timor and solidarity campaigns in Australia, Asia, Europe and North America and a continuing trend of growth and radicalisation of the democracy movement in Indonesia, the prospects for the growth in support in Indonesia for East Timorese self-determination are also positive. Further substantial growth in the democracy movement will inevitably provide the democratic space for open debate of this issue in Indonesia.

Endnotes

1. Antara, 17 November, 1991 in Centre for Strategic and International Studies, Dokumentasi Kliping - Tentang Peristiwa Dili, Timor Timur, Jilid II, p.48
2. *Suara Pembaruan*, 19 November, 1991 in *ibid*, p.49
3. Berita Buana, 15 November, 1991 in *ibid*, p.66
4. *Pelita*, 22 November, 1991 in *ibid*, p.71
5. *Pelita*, 29 November, 1991 in *ibid*, p.70

6. INFIGHT was closely associated with the environmental organisation, SKEHPI, which also sponsored direct actions and street protests by farmers.

7. Published in *Suara AKSI*, No.7, 1994.

8. "Self-Determination Movement: From Aceh, East Timor and West Papua", in *Indonesian Mobilisation*, Sep-Jan, 1994, No.2, pp.9-10.

9. The formation of PPBI by a meeting of fifty delegates from several provinces took place in Semarang in October, 1994. Its formation was publicly announced on October 26, 1994.

10. The publication of this magazine is reported in TAPOL, No.125, October, 1994, p.21

11. In fact, these organisations were preceded by earlier activist and political groups. These include INFIGHT, SKEHPI, Yayasan Maju Bersama (YMB - Advance Together Foundation), Forum Komunikasi Mahasiswa Yogyakarta (FKMY - Yogyakarta Students Communication Forum), and many others. Some of these still exist. Many activists who at one time or another belonged to these earlier groups, now belong to PRD-SSDI-PPBI or the ALDERA alliance. It is not possible to identify members of FPN.

12. FAMI activists have a similar tactical orientation to PIJAR and INFIGHT.

13. I refer to ALDERA and PRD mainly in relation to 1994. As mentioned in Endnote 10, this activism was carried out by a range of different, often locally based, groups in the late 80s and 1990-92, some of whose activists have been drawn into either PRD/SSDI/PPBI or ALDERA.

14. 'Defence Plea of Xanana Gusmâo' in *Indonesian Human Rights Forum*, January-March 1993, No. 6, p.22

Developing East Timor in the Indonesian Context: An Australian Perspective

Rawdon Dalrymple

When I was asked to present a paper at a seminar in this series on the East Timor Studies Project, I replied that I doubted my qualifications to speak on a subject with which I had had no real involvement for the last ten years or so.

I explained that not only had I had no involvement: I had not had access to any information other than what I read occasionally in the press in Washington or Tokyo - and that was not much. Occasionally the subject would come up in conversation with a visitor from Australia or Indonesia; but almost never I think with Americans or Japanese while I was in Washington or Tokyo respectively.

The exception to this was after 12th November 1991 when we had our attention rather compellingly brought to the terrible events of that day in Dili. I saw no official Australian information at all. There must of course have been a lot of telegraphic and other exchanges but, as far as I can recall, none of it was copied to me in Tokyo and I saw only the official Australian statements plus whatever very limited background information was sent to all Australian representatives overseas. But on that occasion non-official sources conveyed to us, mainly by telephone, information which differed fairly substantially from the versions that were being put out from Jakarta. It was obvious that the world's media, and especially the Australian media, were having their attention drawn to a disaster of a kind and on a scale quite different from the official version.

Given my own long association with Indonesia of course all I heard of the disaster filled me with sorrow. I watched the unfolding of the Australian and other international responses to that disaster, as well as the Indonesian public handling of it, as reported in the media, with private scepticism and unhappiness; but with an acute professional awareness of the difficulties it must be presenting to Canberra.

I have followed subsequent events and developments in the media, and on a couple of occasions Australian academics or others who are more closely informed have spoken to me about the issue. What little I have heard has been enough to make me realise that there has been a great deal of discussion between Canberra and Jakarta, about the details of which I can only guess.

In those circumstances my response to the suggestion that I give a lecture in this series was that I had no basis of knowledge on which to do so and no access any more to information or policy which would enable me to say anything of interest. It was then put to me that there would be interest in my addressing the issue of development and giving some personal views about how that might be promoted in a regional context.

I am not at all sure that I was right to agree on that basis especially as I have been given some indications that there might not be much interest in the way I am approaching the subject. So perhaps my original response was the right one.

At any rate it is important at the outset to emphasise the limits imposed by my ignorance and the fact that I have had no involvement at all for many years in policy issues directly concerning East Timor. That means that what I have to has to be at a rather general level.

What I have tried to do is to look at the wider regional prospects and to see whether and how they suggest implications for the development of East Timor. It is very unlikely that I am the first or only person to do this, but I am not aware of what any others have been doing or saying on these lines.

Despite the disclaimers made already, and whatever views members of this audience have on the issues, I suggest that it has to be a useful exercise to explore carefully what the regional and national frameworks are likely to be and to assess how they are likely to constrain or facilitate different options.

The Dominance of Development

The most striking thing about the Asia Pacific region now is the dominance of economic development. With only a couple of exceptions which are generally regarded as aberrations, everywhere in the region economic development is a primary goal of government policy. Nor is it just a matter of stated policy which in practice is subordinated to other goals. Right across the region now there is a quite unprecedented attachment to a set of broad macroeconomic policies and a recognition or belief that the market must be allowed to operate. There are differences of views about the appropriate extent of government involvement and about the relative merits of the Hong Kong model on the one hand and the Korean or Singapore models on the other. But no one thinks any more that governments can themselves be the engines of growth. The command economy model has gone out the window even in places where it was officially stated policy until recently.

Even in countries which were a year or so ago regarded with a kind of despair by the financial institutions and international business there is a changed and much more favourable outlook. For example Bangladesh is beginning to show solid economic growth and is looking at ways of meshing into the enormous and rapid growth in the East Asian area. It is looking to the prospect that it could become attractive for manufacturing investment as the East Asians move up the technology and wage costs curve.

Broadly speaking, there are two things in this context happening in the region. There is an awareness that Asia, and especially East Asia both north and south, is launched on a surge of economic growth and development on a scale and at a pace which the world has never seen before. Secondly there is a widespread recognition that it is possible for all countries of the region to participate in this because the general policy requirements are not a mystery and because of the flow-on as countries move up the industrialisation scale.

Of course there is wariness about the effects of explosive economic growth on existing interests, and on social structures and values, and I will have more to say on that shortly. But everywhere there is a sense of an irreversible commitment to economic development.

An awareness of what is happening in Asia and especially in the Asia Pacific is becoming a major factor in policy considerations in the United States and in Europe also. There has developed an international consensus that the Asia Pacific region will continue to show strong economic growth, outstripping all other regions of the world. Indeed it has become a widely-held view that the Asia-Pacific, with a huge population base and continuing rapid growth and development, will emerge as the predominant economic region of the world some time in the first half of the twenty-first century. For example, French Prime Minister Balladur said recently in a speech to the annual meeting of the Asian Development Bank that "by the year 2000, Asia will realise 40 to 45 per cent of world economic activity".

A couple of weeks ago "The Economist" weekly predicted that in the foreseeable future the United States would be the only non-Asian country among the five biggest economies in the world. And one of those would be Indonesia. That forecast is based on World Bank estimates. It shows Indonesia in the year 2020 as the fifth biggest economy in the world, bigger than that of Germany for example.

The expectation on which such predictions are based arises from the following factors:

- Growth rates in the developing economies of the region from China down to Indonesia ranging between 4% and 10%;
- Strong growth in the new industrial power centres of the region, Taiwan and South Korea, and also in the service and entrepot centres of Hong Kong and Singapore;
- Apparent confirmation in current experience of the so-called "flying geese" theory, that is the theory that as industrialisation takes hold in the lower-wage economies, production has to be transferred to them from the higher-wage economies (prototypically Japan) which move up the scale of technology;
- Estimates that there will be some 3 billion people in Asia by the end of the first quarter of the next century with hundreds of millions having relatively high, "middle income" or "middle class" purchasing power and demand patterns;
- Strong growth of investment in the developing countries of the region, not only from Japan and other developed countries but also from the overseas Chinese;
- A belief that most of these societies are driven by "Confucian" or anyway "Asian" values relating to acceptance of authority, respect for learning and skills acquisition, family cohesion, hard work etc;
- A perception that security and political problems in the region are less threatening than before the end of the Cold War.

Some predictions and expectations seem to me to go too far. A recent example from my experience relates to developments in Indonesia. In an address to a conference in Sydney early this year I referred to calculations that there are now about 11 million people in Indonesia who can be classified as middle income, that is, having substantial purchasing power and for example owning a vehicle, being actual or potential overseas tourists and the like. I was corrected later in the conference by an economist who said that Indonesia now has 18 million people in that category.

To my surprise, at a public policy forum held in Sydney a couple of weeks later I heard a leading development economist claim that there are now 34 million middle-income people in Indonesia meaning people with the purchasing power of the average Australian.

That calculation is surprising because it would imply that those 34 million Indonesians have in total about twice the income of the 17 million Australians. To get the national total you would have to add to that the income which accrues to the other 140 or so million Indonesians who are not classified as middle income.

Apparently that would give you a national income for Indonesia three or four times Australia's. But Indonesia's gross national product is conventionally calculated to be only about half of Australia's.

Calculation on the basis of purchasing power equivalence would show a different and closer result. But it is certainly implausible at this point to claim that there are twice as many people in Indonesia who enjoy an Australian standard of living as there are in Australia.

There is room for scepticism about straight-line projections of the Asian growth rates of recent years. For example the nature and depth of the recession in Japan has led to some questioning of the capacity of that economy to continue its preeminence in a range of industrial areas. There is questioning whether China will continue to receive such a flood of overseas investment as in recent times and thus an awareness that there could be a sharp fall in asset values there with a slowing of growth at least for a while. There is also some doubt about political stability in some countries and the effects which some turmoil could have on continuing growth and regional trade.

A prudent view of the region's prospects should discount the straight-line sort of projection and factor in the possibility of some setbacks. But even doing that we are left with the likelihood of a massive growth in the generation of economic product of all kinds over the coming decades in the Asia Pacific region. Short of major reverses (such as the internal collapse of China, a destructive war, or a mutually reinforcing series of bad decisions on trade policy by the governments of the region) the region will generate unprecedented economic growth.

So for planning purposes I think we can prudently and realistically expect economic growth in the region to continue at a high average rate. In recent years that rate has been on average around seven percent. If that comes back to five percent over the next decade or so that is still a very high average rate which would imply massive compound increases and huge increases in demand.

Indonesia, including East Timor, and Australia are going to be part of a region which will be economically and in terms of population the biggest in the world. It will be a region generating demand and production several times larger than what we see today. Its global importance and influence will be far greater than they are today.

The Outlook for Democracy

One of the most important and influential conceptual elements in recent Australian foreign policy thinking has been that economic growth will generally produce greater liberalism politically and more democratisation. This appeared first in the Garnaut Report and has unobtrusively become a part of the foreign policy furniture - a rather comforting belief for Australia that, with their rapid economic development it is just matter of time before the South East Asian states become democracies. That makes them more like us and, because democracies are less likely to be aggressive, more reassuring neighbours. There have been two major dissenting theses, one by the American Professor Samuel Huntington who predicts a clash of civilisations or cultures rather than a homogenisation of the world around the western liberal capitalist democracy model, and another by the so-called Singapore School of Mr Lee Kuan Yew and his associates who argue that there is an Asian model which is superior to the Western one.

This latter position is one which is now quite widely held in East Asia, both north and south. It used to be that the conventional wisdom was that success in economic development meant adopting western capitalist models and prescriptions. But with the striking and continuing successes in East Asia there is a new attitude. Increasingly politicians, academics and businessmen in East Asian countries are looking to their own cultural roots, values and traditions for explanations of the economic success stories. Often that goes along with a more or less explicit rejection of liberal democracy and an explicit rejection of western promotion of liberal values and especially of human rights. The writings of the Singapore School members and many speeches of Mr Lee tend to take that line, as does Dr Mahathir.

We are seeing now more awareness of this debate in Australia and I think it will probably become a rather larger and more explicit issue here. That will certainly be the case if the rejection of liberal democracy becomes a more established feature of the political landscape of South East Asia.

At this point Australian academics who have written on the subject have generally been sceptical of the argument of the Singapore School and others that East Asians are different and will actually choose not to adopt liberal, representative democracy, preferring more authoritarian "Asian" political arrangements. That latter point is I think the major issue because if it is true it strikes the main argument of those who think there is a strong causal link between economic development and democratisation. That argument is essentially that with increasing development and prosperity in a market economy setting there will be a rapidly growing middle class of entrepreneurs and professionals and spreading better education all of which will produce large numbers of people who will demand a say in public policy and will require representation with the possibility of peaceful change of government by election.

Critics have found it not too difficult to show that the authoritarian position not only has internal inconsistencies but coincides unsurprisingly with the interests of those who are currently in authority or of their clients. It is also possible to identify some fairly implausible "sustaining myths" in terms of arguments for authoritarian arrangements in particular cases.

But personally I do not think it likely that liberal democracy will triumph in South East Asia any time soon. There is not time now to discuss that in detail. For current purposes let us just say that we should not be confident that the apparent strong causal link between economic growth and democratisation (which in addition to its theoretical plausibility seems to have been demonstrated in the cases of Korea and Taiwan for example) will hold in all cases or that other factors may not for a long time suppress liberal democratisation. In some cases it could happen that the people will feel more comfortable to retain an "Asian" authoritarian model. There is real scepticism in South East Asia about the sorts of political arrangements we have here or which exist in the United States. Indeed there is actual repugnance for some aspects of them and for central features of American society in particular. Moreover, in Indonesia for example, there is still the memory of the unsuccessful initial attempt to run a multi-party electoral democracy, and the Sukarno jibe about "fifty percent plus one democracy" still has resonance.

For Australia this is an immensely important issue, despite its relative neglect in public debate. It is important in a number of fairly obvious ways, including the handling of human rights issues. It is important in the context of a discussion about the development of East Timor not least because it bears on what expectations we can have about openness and opportunity for participation by non-Indonesians.

Importance, Confidence and "Interference"

Related to what I have just been saying about the outlook for democratisation is the increasing confidence and even assertiveness we can expect to see from countries which are becoming important economies not just regionally but in global terms. Already there is a growing reluctance to accept criticism, pressure and what is perceived as inquisitorial treatment from the United States. The United States has been the world's most persistent and important champion of democracy and human rights at least since 1916 although that role has always been balanced by national interest and other factors. In the emerging world of shifting power, of power and importance shifting steadily towards East Asia, it is possible that the United States will become more lonely and less assertive in the human rights and democracy role.

On the other hand, it is also possible that democracy and concern for human rights will spread steadily in Asia and that between the new major economic powers and the United States there will be increasing shared ground on these issues. But we cannot be confident of that.

At present the dominant focus in the region is on economic development and there is a concern nearly everywhere to ensure that its continuance not be interrupted or prejudiced by anyone with a different agenda, either domestic or foreign.

The overall historical trend of the region includes notably the shift of economic power to this part of the world. That is beginning to affect confidence and even assertiveness. That tends to make the countries of the region less amenable to outside pressure on matters affecting what they see as their internal affairs and indeed on all matters which they see as impinging on their national interests. There is likely to be more resistance to what are seen, or can be represented, as Western attempts to judge their political arrangements, and their societies, by allegedly Western standards. Australia's voice will be less and less likely to carry if and when it is seen in that Western critic perspective. The political and economic imperatives of Australia's position will mean that any and all Australian governments will be increasingly careful about the terms in which they launch public criticisms of the internal civil and political rights situations in South East Asian countries.

At the same time, their increasing prosperity and their increasing roles in international trade, and indeed all kinds of international intercourse, might eventually make the South East Asian nations more confident and more relaxed in dealing with foreign interest in matters over which they have jurisdiction. Moreover, those with international leadership aspirations will usually want to avoid being seen to be flouting United Nations conventions including on civil and political rights.

But handling of specific cases or issues will depend on circumstances including domestic political power balances. Normally the armed forces will be less concerned with international conventions on civil and political rights than for example the Foreign Ministry.

In all cases it will be better for outsiders to appeal to United Nations conventions and standards than to advance criticisms on the basis of general appeals to democracy etc which can be represented (or indeed misrepresented) as attempts to impose Western standards on Asian societies.

In terms of civil and political rights the most important thing is information and access and there I think it is hard to read the trend. The argument that increasing economic development and prosperity results more or less inevitably in increasing openness and political participation is, as we have seen, of uncertain or uneven validity except as a very long term proposition. It is the same for expectations that development and prosperity should make for greater openness and easier scrutiny. There may be plausible grounds for expecting that to be so. But it is not what has happened in Singapore, for example, which is the richest of the South East Asian nations. It is by no means certain that Malaysia, which is well on the way to becoming a prosperous country, will increasingly accept unrestricted media domestic and foreign. Indeed it seems to me quite unlikely.

It is not very well recognised here, and certainly not in the United States, that in all these countries, and notwithstanding the proliferation of American popular culture, there is a deep and widespread dislike of many aspects of Western and especially American society. That certainly includes the open, untrammelled media in the main English-speaking countries, very much including Australia.

Who knows how and when this will change? The point is that it does not seem to be changing at all quickly in this part of the world and it would be a mistake to base any policies at this time on the basis that it is bound to change.

Of course it will not be possible, in these years at the end of the twentieth and moving into the twenty-first century, just to conceal civil and political rights abuses, or to conceal systematic or widespread military and police excesses. But it will continue to be possible to limit the exposure and discussion of them in the domestic media. It will also be possible for the governments of increasingly important and assertive countries to influence the terms of reporting and analysis by foreign media. The Australian media are already becoming more careful, I would say more sophisticated, in their reporting and analysis. They are carrying more of it but in terms which are less strident.

None of the above is intended to give credence to cultural relativism in relation to civil and political rights. As enshrined in the relevant United Nations instruments they are clearly regarded as universally applicable. But I am looking at what is likely to be the context in the region internationally and within major countries which regularly qualify their interpretations with references to the need to give priority to securing the conditions for economic development. To observe that that is the case is not to imply any approval of the argument in general or particular deployments of it.

I have mentioned some of the factors which will affect the treatment of civil and political rights in the region in the years ahead. There will be different opinions about whether and how things will change. My sense is that there will be opposing trends, making change rather slow, and continuing ambivalence about foreign criticism.

In the case of Indonesia there is no doubt a desire to disarm international criticism and discomfort with the continuing unhappy situation in East Timor. There is a view that these factors will lead to significant change including a large measure of autonomy. And it could be argued that political concessions could advance the economic development prospects of the territory by enhancing self respect and morale and giving the people a greater incentive.

It is said that some such possibilities have been under discussion at least unofficially in Jakarta. But it seems that at Ministerial level when the matter has been raised the Indonesian side has ruled out granting East Timor the *Daerah Istimewa* type of status which Yogyakarta and Aceh have at present. As I said at the outset I am not well informed on these matters. Nor have I any intention tonight to make judgments about what happened in the past or recommendations about political matters.

But there are two things I would say on the autonomy issue in the context of the development prospects of East Timor. Firstly, so small a territory, located as it is, appears to me to have no prospect of economic development and a greater prosperity except in the framework of the Indonesian economy and eventually the regional economy. So I think it needs to remain part of the rupiah zone. Secondly, it was never clear to me that *Daerah Istimewa* or Special District status conferred any particular advantages on either Yogyakarta or Aceh. In practice they seem to be treated like any other provinces.

Where more genuine autonomy could benefit East Timor would be in regard to matters I touch on later, namely more shielding of the local people from the competition of traders and transmigrants who have more commercial experience and may be more favoured by the local Indonesian authorities. But hopefully that can be achieved anyway.

Without wanting to imply any judgments about whether East Timor should be given autonomy from or within Indonesia, from what I see of the changes in the region and what I know of Indonesia it seems to me unlikely that any major formal or institutional change in status is about to be agreed by Jakarta. I am not saying whether that is good or bad. At present the interests and arguments against it on the Indonesian side seem to me to be stronger than those in favour of major change. But I have been told since I came to Darwin , and I think reliably, that there are important elements in the military that are in favour of greater autonomy and of greater empowerment of the East Timorese. If that is so then perhaps in due course there will be real change. Perhaps that current of opinion will be fortified by the likelihood that the issue could well be an embarrassment for years ahead because there will continue to be a significant body of international opinion, including within the Catholic Church, which will not cease to ventilate the issue. I expect that Indonesia will decide to live with that while trying to disarm or minimise criticism. And the best way to do that will be to press ahead at best speed with the development of East Timor, creating opportunities for the East Timorese to become economically successful in the context of the fast-growing Indonesian and regional economy.

Australia's Place

There have been huge changes in Australia in recent years including in Australia's external orientation. They have been necessary and they have on the whole been carried through with political skill. The result of the strategy that has been followed is that this country is increasingly accepted by its neighbours and is relatively well-placed to participate with them as a partner in the transformation of the region.

This country is far more effective than it was ten years ago and it is in a number of important ways a better country than it was then.

But one thing we have to accept is that the remarkable growth of others is bound to result in a change of relativities affecting Australia. That is obvious and virtually inevitable in the case of the economy. In political and security terms the nature of the changes will depend a good deal on the extent to which we continue to develop our relationships with others and the skill with which we do that.

It is important to understand this point about relative size because it affects influence, it affects one's perception of prudential considerations, and it affects very much the way in which one must seek to influence others.

Australia is just now embarking on one of its periodic debates about the appropriate size of the population of this country. That debate will receive added impetus when the Jones Parliamentary Committee reports later this year. The Committee has received many submissions arguing on environmental grounds for a no-growth policy. Of course other points of view will be strongly represented to the Committee and in the subsequent debate.

But it would be safe to say that at no previous time has there been such pressure in the Australian community to limit growth for environmental, life-style and perceived cost reasons. Already reproduction is at below replacement levels in the Australian population. So it would be easy to achieve a stable no-growth population here in the sense that it would only require a cutting back of immigration.

What used to be seen by many in this country as a reason for population growth policies, the "populate or perish" argument, now has few supporters. There seems to be little apprehension that it may be difficult for an Australian population of say 20 millions to justify holding sole occupancy of a whole continent with population density something like one fortieth of the regional average. Nor is there much interest in the possibility that far more populous and eventually wealthier nations might want to take all or some of it away from us. So the nature of the population issue, or at least of the debate, has shifted in a way that makes it more favourable for the no or low growth proponents.

The World Bank in 1992 published world population projections which show East Asia (north and south) having a population of 1.92 billion in the year 2000 when Australia will still have less than 20 million. In 2030 East Asia is predicted to have 2.5 billion when Australia will have perhaps 25 million. That is we are looking at Australia having about 1% of the population of the region. Those crude numerical terms make Australia look more marginal to the region than it is likely to be in fact. But by then there will be many millions of people in the other much larger countries of the region who have the education, skills etc which give us something of an edge now.

If you look at the World Bank's population density projections for this region you see an even more striking contrast. Australia has now a population density of 2 per square kilometre which is projected to rise to 3 in the year 2025. Projections for some others in the region for 2025 are: Philippines 540, Thailand 410, Indonesia 144 and Malaysia 97. So the next lowest population density in the region will be Malaysia with 97 contrasted to our 3. Of course most of Australia is arid and that imposes severe limitations on human habitation. But if you were an Indian in 2025 in a country with a population density of 410 per square kilometre, let alone a Bangladeshi squeezing 1220 persons into the average square kilometre, you would surely be inclined to believe that Australians had more than their fair share of the world's land area.

But that is taking me a little away from the context of this discussion. The point is that in a very low population growth scenario it seems unlikely that the Australian economy will generate the sort of demand growth which is expected in the region as a whole.

There has been a major effort to increase Australia's exports to the region and in both value and volume terms there have been significant increases. There has also been a shift towards ETMs and services. But our share of imports into the region remains small. To increase or even maintain our share, as we grow more slowly than the others, will be hard.

But that is what we must do if we are not to be marginalised in the world's most dynamic growth region.

Countries with much larger populations and much higher growth rates will tend to take less account of us if we do not ensure our continuing and increasing economic and trading relevance to them. An essential requirement for that will be to export services and to make this country a focus for some of the services in which we have and can maintain a lead. We certainly have strong competence in the services which are of key importance for the development of Eastern Indonesia and for East Timor in particular.

The time is in sight when Australia will still be an important factor in regional trade but will be well behind the major countries of the region in terms of the size of its market and its share of the region's trade. There are likely to be several countries with larger GNPs than Australia's and others which are moving up on us rapidly.

That will be the case whatever we do. Whatever we do, our relative size will shrink further. It is worth considering the extent to which that might affect the nature of our relationship with Indonesia. The "Economist" estimates for major economies in 2020 which I mentioned earlier forecast that Indonesia will be the fifth biggest economy in the world by 2020. That is not far off and it would imply that Indonesia's economy will then be several times larger than Australia's. It is worth thinking about what that could imply in terms of importance and relative influence. As I said before we can be sceptical about some of these projections while recognising that the direction of them is not in dispute.

Australia and the Economic Development of East Timor

As I have said already I am not here to make judgements or recommendations. But in terms of my attempt to clarify some of the framework and context, I think it is possible to draw from what I have been saying the rather confident conclusion that the regional, Indonesian and Australian contexts place significant constraints on what Australian government could achieve in future years in relation to East Timor. On the other hand, I think the analysis I have given of those contexts points fairly clearly to an available, constructive Australian government course at this stage.

As we have seen the focus of the region is economic development and growth. That includes Indonesia which has had outstanding success in improving its economic performance in recent years. All the indicators show the Indonesian economy continuing to grow strongly. Stability and economic development have been the central stated planks of Indonesian government policy for years now and that remains the case.

In the Budget Speech in January 1990 President Soeharto emphasised that development needed to be accelerated and living standards raised in the poorest region of the nation, the Eastern Area, *Kawasan Indonesia Timur*, or KIT (sometimes also referred to as *Indonesia Bagian Timur*, or IBT). Since then there has been extensive activity including project and technical assistance on a substantial scale by the Asian Development Bank (ADB) and the World Bank. There is a similar emphasis in the Australian Development Program.

The Northern Territory Administration has been very active in seeking to develop links with Eastern Indonesia through agreements with the Government of Indonesia and with Provincial Governments. That activity goes back at least ten years but has been much intensified in recent times. The Northern Territory University has also developed a strong focus on Eastern Indonesia.

East Timor has been included in this effort, but with certain constraints especially as far as foreign programs are concerned. It is now generally not difficult for our AIDAB personnel to access East

Timor, but there are still delays of up to three months in obtaining permission to go there for the various consultants who have essential roles in the projects being undertaken there under the Australian aid program.

Despite these continuing constraints there has evidently been a substantial change since I was Ambassador to Indonesia up to 1985. At that time we could not have direct bilateral aid projects in East Timor involving Australian experts on the ground. The aid we provided had to go mainly through the ICRC, that is to say the Red Cross, or UNICEF, the United Nations agency.

It was only in 1990/91 that planning could begin on Australian bilateral aid projects for East Timor and since then four Australian development cooperation projects have begun in the province. AIDAB describes these projects as "designed to raise the living conditions and productivity of the population and build upon activities which have been successfully applied to other eastern provinces." These projects are:

- the East Timor Water Supply and Sanitation Project which will provide new and improved water supply and sanitation facilities to approximately 100,000 people in the towns of Dili and Suai and surrounding rural areas;
- the Eastern Islands Veterinary Services Project which includes East Timor;
- the East Timor Agricultural and Regional Planners project;
- the Second Indonesia Australia Polytechnic Project located in five eastern provinces which is assisting the upgrade of the Dili Polytechnic.

Another important project due to commence next year is the Bobonaro Agricultural and Regional Development Project. That project is aimed directly at helping over 40,000 of the poorest people in East Timor in what is a fairly remote and isolated area in the highlands and an area which has suffered badly as a result of the years of warfare. This is a five year project, estimated to cost up to $15 million and, as AIDAB describes it, "will develop farming systems, provide agricultural education and training, and develop small scale water resources." This project will be a major challenge because it will require winning the confidence of local farming people who have suffered from years of neglect and indeed worse. But if it succeeds it will be an important contribution to improving their lives and welfare and the outlook for the future of that part of the province.

These are not huge projects, but in the context of East Timor they are important and can make a big difference.

They would have been quite impossible some years ago and they seem to me testimony to the patient work done by Australian representatives in recent years in establishing credibility with the Indonesian authorities through the other programs which we have had in Eastern Indonesia. AIDAB seems to me to have done an admirable job in planning, negotiating and in mobilising and demonstrating relevant Australian expertise. As a result we are now in a position to make a real contribution to the task of helping the people of East Timor to emerge from centuries of neglect and isolation and from the terrible experiences and the dislocation of the more recent past.

Australia is the only foreign country currently undertaking direct bilateral aid projects in East Timor with expatriate aid advisers.

It is on a modest scale in terms of the needs of the people of East Timor. AIDAB projects currently involve seven long term project officers stationed in the province, with other short term consultants coming in and out as required. The Bobonaro Project will bring in another 3 people long term.

Hopefully this is a start on which we can patiently build and on to which it will be possible gradually to add other activities which will help the people of East Timor to participate effectively in commercial activity at the local, provincial and regional levels. There is much relevant Australian expertise which could be mobilised. The livestock industry is an area on which AIDAB has already focussed. It links into traditional activity, has good prospects for development and can look to continued strong growth in demand from outside the province.

The further development of this Australian activity will obviously depend on its continued acceptability to the Indonesian authorities. It seems clear that Australia's credibility is now much greater than it was even a few years ago. Our long term efforts to establish a basis of shared interest and partnership have begun to strike roots in various ways. It has been a matter of steadily reducing inhibitions on both sides and certainly that has been carried a long way on the Australian side just in the last couple of years. There now seems to be a situation where the relationship between the two countries can proceed in a steady way with a sustained and broadening dialogue across the board instead of on the up and down or zig-zag course of previous years.

One such benefit will hopefully be continuing development of direct Australian links with East Timor.

At least now there seems to be a dialogue which offers some hope of increasing Australian participation in the development of East Timor. But against the general background of what I said in the first part of this lecture there is not much ground to expect rapid progress in that direction.

It is public knowledge that the Australian government has been doing its best to obtain the agreement of the Indonesian government to the establishment of an Australian Consulate in East Timor. That agreement has not been forthcoming and it is believed that the obstacle is the opposition of the Army. It is also public knowledge that the Australian Foreign Minister has been seeking to persuade the Indonesian government that it is time to make a major reduction in the military presence.

I assume that it has not only been the Foreign Minister who has made that point. But I have been told, I believe entirely reliably, that Senator Evans has been very persistent on that matter.

To an outsider there are indeed strong arguments for such a reduction. Firstly and most obviously perhaps there is the desirability of reducing the appearance of a state of occupation rather than of a place set on a course of development in the framework of one of the world's biggest and fastest developing nations. There is the matter of the morale and self-respect of the East Timorese people. But there are also other reasons directly relevant to the development issue. For example, the continuing large involvement of the military in the commercial life of East Timor deprives the local people of opportunities not only to make money but also to join increasingly in the wider commercial life of the nation and of the region. In that regard one favourable development is the Governor's breaking of the coffee monopoly which I understand has resulted in a large increase in the price paid to growers.

We can identify thus what seems to us an obvious need and an obvious opportunity to improve the development prospects of the people of East Timor. And hopefully Australian representations on the matter will help to create a climate of opinion among the decision-makers in Indonesia which will produce a change. But given the political role and importance of the military that is not something which will come easily. The military's role, and its doctrine about its dual role, have deep historical roots in modern Indonesia and seem unlikely to change quickly.

If we want to see a greater role for the people of East Timor in their own homeland, economically and politically, then some way has to be found to convince the military. At a minimum that will require that ABRI, the institution which has the national security mission and responsibility, is convinced that it will not be opening the way for trouble. There were long-standing though unfounded suspicions of Australia in that regard in relation to East Timor and one obvious constructive path for us is to have service to service relations of a kind which prevent unwarranted suspicions of that sort.

Conclusion

Indonesia is a major nation in the world and is conscious of its success and of its increasing capacity and right to play a major role. So of course there must be discomfort with a situation where a small regional minority appears to be miserable and unable or unwilling to participate effectively and beneficially in the life and development of the nation. A nation which is hosting a major international summit is the more likely to have such considerations in mind.

Indonesia knows that development and prosperity must be for all people. That is indeed clear national policy and doctrine. And it is reinforced by the unprecedented focus on economic growth and development which I discussed earlier.

The road to overcoming the legacy of neglect and poverty of the East Timorese is the road of development in the framework of the Indonesian economy and also the sub-regional economy. The latter would imply a larger role for Darwin and Australia generally.

In seeking to advance that agenda the only productive approach for any Australian government will be the one I have already indicated: patience, and constructive proposals which do not involve embarrassment for Indonesia.

Various factors and various interests will play on Indonesia in the ongoing development of policy on East Timor. In Australia there will continue to be sympathy for the East Timorese, and a range of emotions following from the wartime experience and ambivalent feelings about Australia's stance in 1975. In this free country various views will be advanced and pressures brought to bear.

But the practical contribution to the present welfare and future progress of the East Timorese will have to be made by building on what has been getting under way since 1990. Given all the local, national and regional factors to which I have drawn your attention I would be surprised if progress was other than gradual. It will be a useful contribution if the Northern Territory University can increasingly develop the scholarly resources for programs on East Timor at undergraduate and graduate level.

East Timor's Economic Development Seen from Jakarta:Towards "Special Treatment of a Second Kind"

M. Hadi Soesastro

Introduction

The view from Jakarta is to be understood as the view from the Centre, namely that of the central government. The view from Jakarta on East Timor's economic development is a subject of discussion because it is believed to differ markedly from the perspective of local East Timorese on the economic development of their province.

It is almost inevitable that the view from Jakarta will differ from the local viewpoint, be this East Timor's, Bengkulu's, or Central Kalimantan's. This problem is commonly shared by all Indonesian provinces, especially those that are geographically distant from Jakarta. But this also is a problem for the Centre itself.

The problem is perhaps most seriously felt by East Timor, not so much because of geographical distance but perhaps largely due to the historical, cultural and psychological distance to the Centre and because of the circumstances under which this province was incorporated —and integrated— into the Indonesian unitary state. Seen from Jakarta, the "East Timor Problem" poses a major dilemma. There is the basic fear that if this youngest province is treated too differently from the rest it will become too different from the rest. But then, how can "equal treatment" be justifiably applied to a province which did not share a "national" history and is economically so far behind than the rest?

Since 1988 Jakarta's policy on East Timor's economic development is based on a treatment which is essentially "equal" to the rest of the country. The policy of equal treatment reversed the kind of "special treatment" that was accorded to this province during the first 12 years following its incorporation. This special treatment was manifested in the establishment of an Inter-Departmental Coordinating Secretariat for East Timor Affairs with the task of planning and overseeing East Timor's economic development. The operational management of this province's development was carried out by the Central Team for Development Implementation (*Tim Pelaksanaan Pembangunan Pusat* or TPP) under the coordination of the Secretary General of the Department of Internal Affairs and the Regional Team for Development Implementation (*Tim Pelaksanaan Pembangunan Daerah* or TPD).

The financing of East Timor's development by the central government was undertaken through "Item No. 16" in the budget of the Department of Internal Affairs, specifically allocated for East Timor.

The termination of this special treatment means the discontinuation of the coordinating secretariat and the dissolution of both TPP and TPD. The central government's development projects are now financed through the sectoral budget of the various technical departments (e.g. agriculture, public works, education and culture). The allocation of these resources and the development projects they finance is by and large decided in Jakarta. This practice reflects the highly centralised nature of Indonesia's development planning and implementation and has created a lot of unhappiness in the regions.

This practice, however, has been justified by the need of the central government to re-allocate resources and to distribute resources among the 27 provinces in order to guarantee that sufficient resources would be transferred to the poorly endowed provinces. In addition, the capacity of local governments (Levels I and II, namely at the province and district levels) in the planning and implementation of development projects is generally felt to be inadequate. There is now an attempt, through the introduction by *BAPPENAS*, the national planning board, of a scheme called *"sarlita"* (*sasaran lima tahun*) to attempt to match the sectoral projects with regional needs and aspirations.

Initially, the special treatment given to East Timor in its economic development was justified in the belief of the singular importance of economic development in solving the East Timor Problem. In other words, economic development was seen as the principal instrument for integrating East Timor into Indonesia, economically as well as politically.

There may have been various reasons for the discontinuation of the special treatment in 1988. The "optical" argument is that the continuation of such a special treatment would only attest to the central government's inability to solve the East Timor Problem. The "logical" argument is that the East Timor Problem is essentially a political problem and thus, should be solved politically.

However, economic development should not - and perhaps cannot - be seen as an instrument to obtain a number of (often times conflicting) objectives. João Mariano de Sousa Saldanha (1994) has observed that economic development failed to win the hearts of the East Timorese people. While economic development may not produce an economic solution that would lead to a political solution, economic development is desirable in itself. However, Saldanha (1994) has argued for the need to re-design East Timor's economic development strategy. As implemented today, economic development is seen as further aggravating the problem: it has become part of the problem rather than part of the solution.

He proposed a new economic development strategy as part of a package of policies which includes political negotiations with Portugal and the granting of greater autonomy (or a "special status") to the province. It is unlikely that a political solution can soon be found.

It also appears that the central government is ready to consider the issue of greater autonomy only as a "last resort". If indeed so, economic development becomes even more important for East Timor. It is not a sufficient —but definitely a necessary— condition to solving the East Timor Problem or at least to prevent the problem from becoming out of hand.

Brief Review of East Timor's Recent Economic Development

The withdrawal of the special treatment in 1988 does not appear to have had an adverse effect on East Timor's economic growth performance. If anything, the province's growth rates increased from an average of 6.9 percent over the period 1984-1987 to an average of 9.9 percent over the period 1988-1992. This, however, can not be attributed to the change in treatment. As can be seen from Table 1, the higher growth rates in the latter period were also experienced by East Timor's immediate neighbouring provinces, West Nusa Tenggara and East Nusa Tenggara, and in fact, also by Indonesia as a whole.

Table 1 **Economic Growth Rates — East Timor, West NusaTenggara, East Nusa Tenggara, 1987-1992** (percentages, based on constant 1983 prices)

	average 84-87	*1988*	*1989*	*1990*	*1991*	*1992*	*average 88-92*
East Timor	6.9	9.1	7.3	11.6	10.4	11.3	9.9
West N.T	5.8	6.4	8.9	8.9	7.4	8.5	8.0
East N.T	5.1	4.0	5.6	7.4	6.8	7.7	6.3
Indonesia	5.1	5.8	7.5	7.2	7.0	6.5	6.8

Source: Biro Pusat Statistik (BPS), Regional Income of Provinces in Indonesia by Industrial Origin 1983-1990 (August 1992) and Gross Regional Domestic Product of provinces in Indonesia by Industrial Origin 1987-1992 (August 1994)

The three provinces, West Nusa Tenggara, East Nusa Tenggara, and East Timor are the provinces in Indonesia with the lowest per capita income. They also share a number of similar relevant characteristics. It is instructive to examine the development of any one of these provinces in comparison with the others. Over the period 1983-1992, the average annual real growth rate of East Timor's per capita GDRP (Gross Regional Domestic Product) outperformed the other two provinces: 7.1 per cent versus 4.8 percent (West Nusa Tenggara) and 3.9 percent (East Nusa Tenggara). In 1983, East Timor's per capita income was about 30 percent of the national average and lower than in the two other provinces. By 1992, its per capita income increased to between 36 to 41 percent of the national average and could have overtaken at least East Nusa Tenggara. However, it continues to be one of the poorest provinces.

Table 2 **Per Capita Income — East Timor, West Nusa Tenggara, East Nusa Tenggara, 1983 - 1992** (thousand Rp.; current and constant 1983 prices)

	1983		*1992*				*annual growth (%)*
			current		*const. 1983*		
East Timor	136.9	(29.8)	570.3	(40.5)	253.9	(35.7)	7.1
West N.T	179.7	(39.2)	539.0	(38.3)	274.9	(38.6)	4.8
East N.T	173.4	(37.8)	489.8	(34.8)	245.5	(34.5)	3.9
Indonesia	458.7	(100.0)	1408.7	(100.0)	711.6	(100.0)	5.0

Source: Biro Pusat Statistik (BPS), Regional Income of Provinces in Indonesia by Industrial Origin 1983-1990 (August 1992) and Gross Regional Domestic Product of provinces in Indonesia by Industrial Origin 1987-1992 (August 1994)

In terms of its growth performance, therefore, East Timor has fared well. There is no doubt that East Timor has experienced rapid development in physical infrastructure. It has been suggested, however, that this rapid physical development may have resulted in a very unbalanced development pattern with the production sectors, particularly agriculture, lagging behind and an extremely limited creation of job opportunities (Hadi Soesastro, 1989 and 1994, and Saldanha, 1994).

Table 3 Gross Regional Domestic Product by Selected Industrial Origin — East Timor, West Nusa Tenggara, East Nusa Tenggara, 1987 and 1992 (percentages, based on current prices)

	Agric		*Industry*		*Trade*		*Transp. & Comm*		*Govt.*	
	87	*92*	*87*	*92*	*87*	*92*	*87*	*92*	*87*	*92*
East Timor	42.7	38.6	1.1	2.2	9.3	9.9	8.5	8.5	20.4	19.2
West N.T.	51.0	45.8	2.7	2.8	15.7	17.3	7.7	9.0	11.0	11.2
East N.T.	53.0	46.9	2.0	2.0	11.8	12.0	7.7	9.4	15.8	19.4
Indonesia	23.3	19.5	17.0	21.8	16.9	16.4	6.0	6.6	7.1	6.7

Source: BPS, Gross Regional Domestic Product of Provinces in Indonesia by Industrial Origin 1987 - 1992 (August 1994)

As can be seen from Table 3, the share of agriculture in East Timor's GDRP should perhaps be at about the same order or even slightly higher than that in West Nusa Tenggara and East Nusa Tenggara. Therefore, Saldanha (1994) talked about the need for an "agriculture cum employment-led strategy."

Trade also appears to be underdeveloped, thus the need for greater and more rapid "marketization" of economic life. However, the problem is that such marketization, that is already taking place, involves predominantly non-indigenous people (*pendatang*). The government, on the other hand, continues to play an important economic role, largely perhaps in providing job opportunities for civil servants. But its capacity to continue to expand is certainly limited.

Changes in the distribution of East Timor's GDRP, as shown in Table 4, indicate the stagnant development of nonfood and estate crops as well as livestock, the two sectors in which the region is believed to have a comparative advantage. Surprisingly, the manufacturing sector - particularly small scale and home industries - has picked up, but its potential is likely to remain limited for some time. Mining and quarrying are believed to have great potential but their development continues to be slow indicating the continued hesitation of private investors (foreign and domestic) to come to East Timor.

Table 5 clearly shows the significant role of the public sector in generating growth, with government consumption continuing to be in the order of about one quarter of the province's GDRP. Gross domestic capital formation (investments) increased to 24 percent of GDRP in 1992 from less than 20 percent in 1987. The province's imports continue to be higher than its exports, but the regions's "trade gap" has declined from 18 percent of GDRP in 1987 to 7 percent of GDRP in 1992. In this regard, East Timor has performed much better than West Nusa Tenggara or East Nusa Tenggara.

Table 4 **Distribution of Gross Regional Domestic Product of East Timor by Industrial Origin — 1983-1993** (percentages, based on current prices)

	1983	*1988*	*1993**
1. Agriculture	**44.49**	**42.81**	**35.00**
a. Farm Food Crops	20.75	18.98	21.04
b. Nonfood/Estate Crops	14.09	17.72	7.99
c. Livestock	8.99	5.41	4.90
d. Forestry	0.39	0.34	0.30
e. Fishery	0.27	0.37	0.77
2. Mining and Quarrying	**0.53**	**0.62**	**0.68**
a. Mining	–.–	–.–	–.–
b. Quarrying	0.53	0.62	0.68
3. Manufacturing Industries	**1.25**	**1.56**	**2.56**
a. Large and Medium Scale	0.74	0.50	0.62
b. Small and Home Industries	0.51	1.06	1.93
4. Electricity and Water Supply	**0.63**	**0.77**	**1.05**
a. Electricity	0.58	0.65	0.87
b. Water Supply	0.05	0.12	0.18
5. Construction	**12.26**	**12.64**	**17.09**
6. Trade, Restaurant and Hotel	**7.89**	**9.25**	**9.94**
a. Wholesale and retail	7.25	8.38	9.04
b. Restaurant	0.42	0.67	0.71
c. Hotels	0.22	0.20	0.19
7. Transport and Communication	**5.19**	**8.21**	**8.30**
a. Land Transport	3.19	6.25	5.52
b. Water and Sea Transport	0.57	0.54	0.73
c. Air Transport	1.19	1.16	1.28
d. Communication	0.24	0.26	0.77
8. Banking and Oth. Financial Intermediaries	**3.21**	**1.42**	**2.27**
a. Banking	3.04	1.16	1.87
b. Insurance	0.15	0.23	0.30
c. Cooperatives	0.03	0.04	0.10
9. Ownership of Dwelling	**2.84**	**2.16**	**1.72**
10. Public Administration and Defence	**20.83**	**19.50**	**20.28**
11. Services	**0.87**	**1.06**	**1.11**
a. Business Service	0.03	0.06	0.05
b. Social and Community	0.10	0.15	0.28
c. Entertainment and Cultural	0.07	0.04	0.02
d. Personal and Household	0.68	0.81	0.76
12. PDRB100.00	**100.00**	**100.00**	

* Preliminary Figures

Source: Kantor Statistik Propinsi Timor Timur

Table 5 Gross Regional Domestic Product by Expenditure — East Timor, West Nusa Tenggara, East Nusa Tenggara, 1987 and 1992 (percentages, based on current prices)

	Private Consumpt		*Govern Consumpt*		*Gross Investm*		*Change in Stock*		*Net Exports*	
	87	*92*	*87*	*92*	*87*	*92*	*87*	*92*	*87*	*92*
East Timor	79.9	58.0	23.3	25.1	19.0	24.4	-4.1	-0.5	-18.0	-7.0
West N.T.	68.0	61.1	15.2	16.8	20.2	25.8	3.2	10.3	-6.6	-14.0
East N.T.	73.5	65.2	19.3	23.2	13.2	17.8	8.1	5.0	-14.1	-11.2
Indonesia	57.7	53.0	9.40	9.68	24.8	27.3	6.5	7.3	1.5	2.7

Source: BPS, Gross Regional Domestic Product of Provinces in Indonesia by Expenditure 1987-1992 (October 1994)

The decline in the region's trade gap does not necessarily mean a reduction in the "savings-investment gap" of the public sector. In 1991, for instance, the sum of subsidies and contributions from the central government to finance the budget of the local government (Levels I and II) amounted to about one-third of East Timor's GDRP.

The withdrawal of special treatment in 1988 also does not appear to have negatively affected the transfer of resources to East Timor. In 1991/92, per capita expenditures in East Timor's local government's budget were still about twice the national average. In comparison, per capita expenditures in West Nusa Tenggara and East Nusa Tenggara were about the size of the national average (Table 6). However, so-called local government original receipts (*Pendapatan Asli Daerah* or PAD) in all these three provinces were about half the national average (Table 7).

In East Timor, PAD comprised about 4 percent of total local government revenues; in West Nusa Tenggara and East Nusa Tenggara PAD amounted to about 8 to 12 percent of total local government revenues. It is not clear whether a 10 percent level or so of the province's PAD is a reasonable target for East Timor. It should not be surprising that East Timor and many other provinces continue to be dependent on resources transfers from the Centre.

Table 6 Local Government Expenditures — East Timor, West Nusa Tenggara, East Nusa Tenggara, 1991/92 (thousand Rp.)

	*Level 1 **	*Level II*	*Total*	*Per capita*
East Timor	39,476,797	65,665,140	105,131,937	138.1
West N.T.	57,103,564	117,734,098	174,837,937	51.2
East N.T.	62,444,005	182,167,150	244,611,155	74.2
All Provinces	5,664,624,322	5,013,439,094	10,678,063,416	61.2

*Minus subsidy to level II local government.

Source: BPS, Financial Statistics of the First Level Local Government 1989/1990 - 1992/1993 (August 1994) and Financial Statements of the Second Level Local Government 1988/1989 - 1991/1992 (October 1993).

Table 7 Local Government Original Receipt — East Timor, West Nusa Tenggara, East Nusa Tenggara, 1991/92 (thousand Rp.)

	*Level 1 **	*Level II*	*Total*	*Per capita*
East Timor	3,407,937	1,152,308	4,560,245	6.0
West N.T.	11,006,909	10,225,101	21,232,010	6.2
East N.T.	10,359,765	10,221,130	20,580,895	6.2
All Provinces	1,602,926,904	701,643,783	2,304,570,687	13.2

Source: BPS, Financial Statistics of the First Level Local Government 1989/1990 - 1992/1993 (August 1994) and Financial Statements of the Second Level Local Government 1988/1989 - 1991/1992 (October 1993).

The local government development expenditures, however, is only about half the total expenditures of public development projects in East Timor, since the size of the central government sectoral development budget in East Timor is about as large, if not larger, than the local government development expenditures [1]. Priority setting, planning and implementation of the central government sectoral development budget are done by the central government but in a fragmented fashion, namely by individual technical departments. It is the issue of how to optimise the use of these public resources (central and local) that lies at the heart of the political economy of East Timor's development (Soesastro, 1994).

Table 8 is a consolidated budget of East Timor's Levels I and II local governments for 1991/92. It shows that about 57 percent of development expenditures were spent at Level II. The proportion spent at Level II differs by sector: trade and cooperatives, manpower and transportation, public housing and settlement, and regional development are among the sectors that are predominantly disbursed by Level II government whereas religion, law, security and national defense, as well as science, technology and research are exclusively under the domain of Level I government.

The sectoral distribution of local government development budget appears to reflect the development priorities set by the province as indicated in the region's Five Year Development Plan (Repelita Daerah). In the 1991/92 consolidated budget, the six priority sectors were: (1) transportation and tourism (38.7 percent of total development expenditures); (2) youth, education and culture (14 percent); (3) state apparatus (13.2 percent); (4) agriculture and irrigation (10.5 percent); (5) health and welfare (9.6 percent); and, (6) regional development (4.6 percent).

Towards a Special Treatment of the Second Kind for East Timor

The political economic issue of East Timor's development centres on the question of whether the decision to withdraw the "special treatment" (from 1976 to 1988) and to adopt an "equal treatment" approach should be reversed and a new kind of special treatment should be introduced.

Various ideas have been proposed in the past few years as have been reviewed by Saldanha (1994). Saldanha himself has outlined the elements of a new kind of special treatment or special status for East Timor. He acknowledged that the acceptability of his proposal by the central government might be a function of intensive consultations and discussions and, of course, a function of time.

Table 8 Consolidated Budget of Local Government in East Timor, Levels I & II — 1991/1992
(thousand Rp.)

Item	*Value*	*Distr.*	*Level II*
		(%)	
INCOME	**115,398,054**	**100.0**	**59.7**
Previous year surplus	4,125,006	3.6	20.8
Local gov. original receipt	4,560,245	4.0	25.3
Tax and non-tax share	2,670,341	2.3	57.0
Subsidies and contributions	104,042,462	90.2	62.8
EXPENDITURES	**105,131,937**		**62.5**
Current	42,321,171		70.6
Development	62,810,766	100.0	57.0
- Agriculture and Irrigation	6,594,514	10.5	45.8
- Industry	418,026	0.7	58.7
- Mining and Energy	444,968	0.7	24.0
- Transport and Tourism	24,334,787	38.7	62.8
- Trade and Cooperatives	232,403	0.4	100.0
- Manpower and Transmigration	158,304	0.3	91.3
- Regional development	2,911,055	4.6	86.2
- Religion	618,000	1.0	-
- Youth Education andCulture	8,797,873	14.0	72.2
- Health and Welfare	6,057,570	9.6	70.8
- Public housing and Settlement	731,392	1.2	91.7
- Law	54,290	0.1	-
- Secutiry and National Defence	1,227,309	2.0	-
- Information and Communication	640,673	1.0	2.5
- Science, Technology and Research	184,371	0.3	-
- State apparatus	8,295,062	13.2	31.5
- Development of Business	637,350	1.0	6.5
- Resources and environment	480,819	0.8	55.1

Source: BPS, Financial Statistics of the First Level Local Government 1989/1990 - 1992/1993 (August 1994) and Financial Statements of the Second Level Local Government 1988/1989 - 1991/1992 (October 1993).

The increased calls for greater "autonomy" appear to have taken the central government by surprise. It is important that any proposed formula be precisely defined. In his call for greater autonomy, Governor Abilio Jose Osorio Soares argued that centralistic policies would make it impossible to eradicate poverty in East Timor and other eastern regions (The Jakarta Post, 22 November 1993). However, it is too simplistic to expect that autonomy would automatically solve the problem.

At a recent hearing in the House of Representatives (Commission I), Foreign Minister Ali Alatas stated that East Timor already enjoys more privileges than other provinces and argued that East Timor already has autonomy in the substantive sense of the word but demands seem to have focused on "the non-essential, such as the status of special territory." (The Jakarta Post, 16 September 1994). President Soeharto has also reacted to those calls and has annunciated the government's policy of not granting special autonomy to East Timor which is different from the autonomy enjoyed by other provinces (Suara Pembaruan, 18 November 1994).

In designing a new special treatment for East Timor, it appears highly inappropriate to make reference to the special regions of Yogyakarta and Aceh, both politically and substantively. Politically because such a status was granted 50 years ago under a particular historical context. Substantively, the special status given to this region no longer has any real meaning.

It can be suggested, therefore, that perhaps the more appropriate reference would be Batam and its autonomous Development Authority. Lessons could also be drawn from Batam's experience on what and how not to do, and one needs to realise that the management of Batam is faced with many bureaucratic and administrative problems, at both the policy level and the implementation level. However, the idea of a Development Authority for East Timor, making use of the precedence created by Batam, should be seriously explored.

A "special treatment of the second kind" for East Timor can be built on the idea of a Development Authority involving the Office of the Governor and the Regional Planning Agency (Bappeda) in direct link, policy- and administrative-wise, to a special division within the National Planning Board (Bappenas). The delivery system should be based on the local government apparatus, assisted by experts from the technical departments in their capacity as "hired consultants", and in cooperation with development-oriented non-governmental organisations (NGOs) —both national as well as foreign. This more modest proposal may have a greater chance of being acceptable to the powers that be in Jakarta.

References

Saldanha, Joao Mariano de Sousa (1994), 'The Political Economy of East Timor Development' (Jakarta: Pustaka Sinar Harapan).

Soesastro, Hadi (1989), "East Timor: Questions of Economic Viability" in Hal Hill (ed.), 'Unity and Diversity — Regional Economic Development in Indonesia Since 1970' (Singapore: Oxford University Press).

Soesastro, Hadi (1994), "Foreword" in Saldanha (1994).

An Analysis of the Development Process in East Timor:Background, Achievements, Problems and Alternatives

Daniel Kameo

Discussions in this paper are limited to the process of development in East Timor after the former Portuguese colony had been integrated into Indonesia in 1976. The paper is divided into five parts.

The Introduction gives a short description of the conditions of the region at the beginning of integration as a starting point for the development process in East Timor, and Part 2 outlines and briefly discusses the stages of the development process. Achievements that have been attained during the last eighteen years are highlighted in Part 3, whereas Part 4 lists the remaining problems as challenges for the future. Part 5 provides concluding remarks and a list of agendas for the future.

Introduction

It has been eighteen years since the former Portuguese colony of East Timor was officially integrated into the Republic of Indonesia. As Indonesian development efforts began, East Timor was facing innumerable multi-dimensional problems. As so well stated by Soesastro (1989:207), prior to 1974 East Timor had languished for centuries as a neglected colonial backwater. Ruled by an ailing power on the opposite side of the world for nearly 450 years, East Timor was suddenly thrown into the international limelight when the Portuguese colonial regime collapsed, civil war broke out, and the region was integrated into Indonesia as a 27th province in 1976. For centuries it had remained one of the most isolated and backward regions in the world.

Because of its limited natural and human resource base, its neglect by Portuguese colonial authorities, and the manner in which it was integrated into Indonesia, East Timor has been an immense challenge for the Timorese people, the local and national government, churches and other parties involved. The situation was summarised well by Soesastro (1989:209) when he stated that although the Portuguese administration did make some belated attempts to develop the province during the last few years of its rule, it still showed all the symptoms of colonial neglect and indifference. Timorese participation in the economy was negligible and confined mainly to subsistence and smallholder agriculture. In the early 1970's, only around 30,000

Timorese were literate in Portuguese or Tetun, and there was only one high school, located in Dili.

Business was controlled by the 14,000 Chinese living there, as well as a few Portuguese and Goanese. Malaria was rampant, and health standards were very poor. Most of Dili's infrastructure (roads, electricity, port, radio station, hospital, etc.) had not been built until the early 1960's.

That was, in part, a picture of East Timor when the development process began eighteen years ago. It was not an easy and favourable start to the path of development. Due to the unique conditions of East Timor, special attention has been given to this region, both nationally (socio-economically as well as politically) and internationally (politically).

The Indonesian government has indicated a strong political will to develop the region and improve the people's standard of living. Government expenditures have been relatively high, and government investment in the region has increased significantly over the years. In the Fourth Five Year Development Plan, 1984-1989, government investment in the region came to Rp 257.8 billion (US$ 143.2 million). In the Fifth Five Year Development Plan the investment was increased to Rp 621.5 billion (US327.1 million) or up to 46 % of the region's annual GRDP (Kameo, 1993:1). This amount does not include other special projects and the military's development funds for so-called territorial operations which are mainly used for building infrastructures, village housing and other community services.

Real effort has been made to carefully design development programs to suit the actual needs of the people and to adjust them to the socio-economic, political and cultural setting of the region. In this Sixth Five Year Development Plan, 1994-1999, the region's development priorities are: eradicating absolute poverty and reducing inequality; increasing the quality of human resources; and creating and securing a conducive social-political climate to smooth the road for the development process in general (*Buku I REPELITADA VI Timor Timur*, 1994:15).

Development Stages in East Timor

The "emergency" situation that faced East Timor after integration forced the Indonesian government to lavish special attention on the development of the region. During the first ten years, development activities were directly controlled and managed from Jakarta by a national team called *Tim Pelaksana Pembangunan Pusat or TPP* (Central Development Team) and its regional counterpart, *Tim Pelaksana Pembangunan Daerah or TPD* (Regional Development Team), headed by the governor of East Timor. Stages of development for East Timor were officially categorised in the following way (Kameo, 1993:2): (1) the Crash Program development stage, 1976 - 1984, and (2) the Five Year Development Plan periods starting in the 1984/1985 fiscal year. The Crash Program stage was divided into four short stages (Saldanha, 1994):

(a) Rehabilitation stage, September 1976 - March 1977. The main objective of this stage was to investigate and identify development problems and then determine what needed to be done. There were three main problems to be tackled at that time:

- (i) completing the establishment of the local government system
- (ii) overcoming the security problems, and
- (iii) rebuilding the vital physical infrastructures damaged by the war.

(b) Consolidation Stage, April 1977 - March 1978. During this period the main endeavour was resettling and providing food and accommodation for hundreds of thousands of people who started to come down from the mountain areas from which they had been evacuated. During this period the Red Cross organisation helped by providing food and clothing.

(c) Stabilisation Stage, April 1978 - March 1979. The refugee problems intensified as the concentration of hundreds of thousands of people in temporary settlement areas increased the need for basic necessities. The International and Indonesian Red Cross and the Catholic Relief Service poured millions of dollars in the form of food, clothing, medical help, and shelter into East Timor. By this stage stability had not yet been achieved because the FRETILIN were still strong in certain parts of the region, but the local government administrative system had been established down to the village level, at least formally, and people had started going back to work in their fields.

(d) Short Term Development Stage, 1982-1984. During this stage, development activities were mainly concentrated in building physical infrastructures such as government offices, roads, irrigation channels, primary school buildings, and community health centres. Selected young Timorese were sent for higher education to other parts of Indonesia, mainly to schools and universities in Java.

East Timor entered the first Five Year Development Plan stage in 1984. Its first 1984 - 1989 period was actually the Fourth Five Year Development Plan period for other regions in the country. Nevertheless, in this stage, many of the development activities still resembled "crash programs".

More systematic and well-planned development activities began with the Fifth Five Year Development Plan (1989 - 1994), and the Sixth Five Year Development Plan (1994 - 1999) is now being implemented.

Achievements: Some Facts and Figures

Eighteen years after integration, it is certainly clear that much has changed and been achieved in East Timor. Despite many shortcomings, problems associated with the process of development itself, and problems left over from colonial times, one cannot deny that positive results have been achieved over the last eighteen years. Notable advances have been made in the following areas:

The Regional Macro Economy

Between 1985 and 1991 the GRDP's average annual rate of growth at 1983 constant prices accelerated to over 8.4%. In fact, the 1990-1991 average GRDP growth rate was more than 11%. Although the per capita income at current prices is still among the lowest in the country, it has increased from Rp 202,000 (US$ 106.00) in 1986 to Rp 431,000 (US$227.00) in 1991 or has shown an average annual growth rate of 4.5% despite a relatively high population growth rate of 3.02% during the same period (*BPS*, 1994:621-23). Of course one should use caution in quoting these impressive figures, for with low base figures, a small change or increase in an absolute number will cause a big change percentage wise. The structure of East Timor's economy resembles that of other poor agri-based provinces. The data indicates that agriculture, government, and construction sectors are the major sources of economic activity in East Timor.

Agriculture

A large investment in agricultural infrastructures has resulted in higher productivity, although it is still lower than the national average. Through agricultural intensification programs, wet rice productivity increased from 1.5 to 2 tons during the early 1980s to 4.4 tons per hectare in 1992 (Kameo, 1993:6). Significant increases in planted area, total production and productivity is also true for other products such as maize, cassava, sweet potatoes, peanuts, and cocoa.

During the same period, rice imported for local consumption decreased from about 25,000 tons to 5,000 tons per year (*Repelitada, Buku I*, 1994:5).

Table 1. Distribution and actual average growth rate of GDRP 1983 - 1990 (in 1983 constant prices)

Sector	*Distribution (%)* *1983*	*1990*	*Annual Average Growth Rate 1893-1990 (%)*
Agriculture	44.49	36.83	5.02
Mining	0.53	0.71	12.31
Manufacturing	1.26	1.70	12.71
Utilities (water and electricity)	0.63	1.18	11.01
Construction	12.26	13.42	11.43
Trade, Hotels and Restaurants	7.89	10.26	12.01
Transport and Communication	5.19	7.65	14.06
Banking and Financial Services	3.21	1.59	4.79
Government and Defence	20.83	21.14	8.14
Other Services	3.61	3.59	16.50

Source: DAPPEDA/Kantor Statistik Propinsi Timor Timur, Pendapatan

Communications

Physical infrastructures and supporting facilities have increased tremendously during the last fifteen years. More than 2,280km of asphalted roads and 1,340km of gravel roads have been built, connecting all major towns and sub-districts in East Timor with the capital city of Dili. In 1992, there were 124 buses and 109 mini buses serving twenty-five main transportation routes in the region, including those connecting East Timor to West Timor in East Nusa Tenggara Province. At present, sea transportation is being served by three passenger ships with a total capacity of 3,900 passengers. Merpati Nusantara Airlines and Sempati Air provide air transportation with a total of three flights a day connecting Dili with several other major cities in the country (*Repelitada, Buku III*, 1994:119-25).

Radio and television broadcasts now reach most parts of the region. Postal services are available in the capitals of all thirteen sub-districts. Since 1991, direct dial telephone lines have been installed in the capital cities of each regency. In 1993, there were 95 public phones, 24 of which are card operated, and 2,538 private telephone lines (*Timor Timur Dalam Angka* 1992).

Education

In 1993 there were 650 primary schools with 6,528 teachers serving 110,815 pupils. There is at least one elementary school in each of the 412 villages in East Timor. Each of the sixty-two sub-districts has at least one or two junior high schools. East Timor now boasts 102 junior high schools with 22,495 pupils enrolled, thirty-five high schools with 11,447 students and 772 teachers, and nineteen vocational high schools with 5,276 students and 337 teachers (*Repelitada, Buku IV*, 1994:15-18).

The illiteracy rate among those 10 years old and up has decreased from 66% in 1985 to 52.7% in 1993 (*Kantor Statistik Timor Timur*, 1994:xiii).

Table 2 Type and number of schools, number of pupils and teachers, and the pupil-teacher ratio in 1993

Type of schools	*Number of Schools*	*Number of pupils*	*Number of teachers*	*Pupil-teacher ratio*
Primary School (SD)	650	110,815	6,528	17
Junior High School (SMP)	101	22,495	1,258	18
High School (SMA)	34	11,447	772	15
Vocational High School:				
- STM 1)	2	830	92	9
- SMEA 2)	8	3,149	186	17
- SPMA 3)	4	867	55	16
- SMKK 4)	1	284	28	10

Source: Pemerintah Daerah Propinsi Daerah Tingkat I Timor Timur ***Rencana Pembangunan Lima Tahun Keenam 1994/95-1998/99,*** *(Buku IV, p. 15-18)*

Notes: 1) STM = Technical school
2) SMEA= Secretarial and Commerce
3) SPMA= Agricultural school
4) SMKK= Home economics (for girls)

Higher education has also undergone development in East Timor. In 1987 Universitas Timor Timur was founded and started with 312 students. By 1993 the student body had grown to 1154 with 126 lecturers. A polytechnic school also was founded in 1990, which, by 1992 had 91 students and 27 teachers. In 1993 there were also 242 students registered for the Open University program and 272 students registered for Akademi Kateketik, Dili.

Health

Public health facilities have been given a great deal of attention over recent years. By 1993 there were ten general hospitals, sixty seven Public Health Centres (*Puskesmas*), which means at least one in every sub-district, 186 Affiliated Public Health Centres (*Puskesmas Pembantu*), and 858 Integrated Health Centres (*Posyandu*). There is one doctor for every 5,600 persons, which statistically is one of the best ratios in the nation.

The province presently has 132 doctors, 167 midwives, and 555 paramedics. The Infant Mortality Rate (IMR) has decreased significantly from ninety-three per 1,000 live births in 1985 to sixty seven in 1992. The mortality rate for children under five has also decreased from 137 per 1,000 live births in 1985 to 124 in 1990. The death rate has also decreased from 11.4 to 9.6 per 1,000 people (*Repelitada, Buku I*, 1994:7). Life expectancy at birth has increased from 56 in 1985 to 60 in 1990.

Over the last five years, the incidence of respiratory illnesses and diarrhoea has decreased from 37 to 20 per 1,000 children under five and from 45.2 to 20 per 1,000 persons respectively (*Repelitada, Buku IV*, 1994:63).

Table 3 Health facilities, doctors and paramedics in East Timor in 1993

Facilities	*Numbers/quantity*	
1. General hospitals:		
a. Grade D hospital	7	(located in 7 regencies)
b. Grade C hospital	1	(located in Dili)
c. Military hospital	2	(located in Dili)
2. Puskesmas (Public Health Centres)	67	
3. Puskesmas Pembantu (Affiliated PHCs)	186	
4. Doctors and Paramedics:		
a. GPs	132	
b. Specialists	12	
c. Dentists	37	
d. Paramedics	555	
e. Midwives	167	

Source: Pemerintah Daerah Propinsi Dati I Timor Timur, ***Rencana Pembangunan Lima Tahun Keenam 1994/94-1998/99,*** *Buku IV*

Building and Construction

Numerous physical infrastructures for socio-economic activities such as churches, mosques, and market halls have been constructed. During the last ten years a subsidy was given to build more than 2,100 houses.

About 4,500 houses have also been built by the government and the military in villages or resettlement areas throughout the region (*Repelitada, Buku IV*, 1994:119).

In 1993, 24.3% of the houses in East Timor had cement floors, 42.1% had tile or zinc roofs, and 15.8% had brick/cement walls (*Statistik Kependudukan* 1993, 1994:117).

Water Supply and Electricity

By 1993, 30,535 or 19.39% of the total number of households had been connected to drinking water and 15,296 households (9.71%) had wells with pumps. Electricity had been connected to 27,134 (17.23%) households (*Statistik Kependudukan* 1993, 1994:126).

Remaining Problems: Challenges for the Future

What has been done in East Timor so far has opened the way for development work for years to come. Without taking away from those successes, however, many problems and challenges to development admittedly still need to be overcome in the future.

Poverty

Per capita income has increased significantly, for example, but it has not increased enough to provide most of those in East Timor with a higher level of prosperity. The low income level and purchasing power is reflected in a low level of public consumption. Statistics show that for 1993, 67.1% of the population's monthly per capita expenditure level was between Rp. 10.000 and Rp.30.000 (US $5.00 - $15.00) and 25.3% had a per capita expenditure of between Rp 30,000 and Rp 60,000 (U.S $30.00). The remaining 7.6% had a monthly per capita expenditure of between Rp. 60.000 and Rp. 200.000 (US $30.00 - $100.00) (BPS, 1994:590).

The low level of income is also a result of low productivity, especially in the agricultural sector. In 1983 the agricultural sector contributed 44.5% of the total GDRP of East Timor, the largest sub-sector (food crops) contributing 20.75% and plantations 14.1%. In 1990 a significant change took place. The agriculture sector's contribution towards the total GDRP fell to 36.8% whereas the public government administration and defence sector and the construction sector which had received the lion's share of government spending, contributed only 21.2% and 13.4% respectively (*Timor Timur Dalam Angka 1990*). The declining role of the agriculture sector was attributed to low productivity.

Low productivity, in turn, could be blamed on unsophisticated farm technology, inadequate attempts at agricultural extension work, the harsh physical conditions of East Timor, and socio-cultural problems.

In 1993, 293,000 residents of East Timor or about 26.24% of the population were living below the poverty line - those with a monthly per capita expenditure below Rp 27,900/US$13.50 for urban population and Rp 18,240/US$9.00 for rural population - which is higher than the national average of 13.67%. 312 villages or 70.60% of the 442 villages in East Timor are classified as impoverished (*desa tertinggal*). In most of these villages, poverty is readily apparent in the poor housing of the people, unsanitary conditions, shortage of clean drinking water, inadequate diets, signs of malnutrition in children, and skin diseases.

Education

Despite the impressive increase in the number of schools, the overall quality of education in East Timor is still relatively low. This is due in part to inadequate facilities, both quantity-wise and quality-wise, to support good education, especially secondary and vocational instruction. The lack of qualified teachers and facilities like laboratories and libraries to support the teaching-learning process is only a part of the problem facing education.

Health

In the field of community health, many obstacles remain. The infant mortality rate is still relatively high. The facilities, quality and range of health services are inadequate, and most health service facilities are still concentrated in Dili and a few main towns. Influenza, malaria, respiratory illnesses, diarrhoea and tuberculosis are still considered to be life-threatening diseases in East Timor. Data for 1991 shows that the main causes of death are endemic contagious diseases like diarrhoea (13%), tuberculosis (13%), malaria (10%), and respiratory illness (7.2%) (Kameo et.al.,1993:46).

Nutrition continues to be relatively poor. SUPAS data for 1985 shows that 52.8% of East Timorese children under the age of five were malnourished at that time. The average annual per capita consumption of meat, for example, is now only 1.8 kilograms, whereas the national average is 8.1 kilograms. The per capita egg consumption is only 0.2 kilograms. Even the national average of 2.2 kilograms is far below the national standard of 12.5 kilograms per capita per year (Kameo et. al., 1993: 282)

Lack of Opportunity

Another major problem is that development activities in East Timor tend to be geared towards physical buildings, materials and infrastructure, as the situation demands. Large-scale investments in social overhead capital (roads, irrigation canals, markets), however, are not yet optimally utilised by most East Timorese because of limited skills, capital and socio-cultural obstacles. It would appear that the East Timorese have not yet had a chance to fully enjoy the benefits of development. Unfortunately, the economic opportunities which have been created in East Timor have often been seized by outsiders who possess skills, capital, experience and access to other facilities and information.

Vastness of Critical Lands

An understanding and appreciation of the unique geographical features and settlement patterns in East Timor is also necessary if one is to truly understand the problems encountered by developers there. East Timor's topography is generally mountainous and hilly with deep valleys. The land along the north coast (Manatuto and Bacau), south coast, and river valleys as well as the lowlands and plateaus found mainly in Maliana and Lospalos, amounts to only 315,000 hectares (*Repelitada V Timor Timur*, Book I). The amount of critical land is influenced by East Timor's unfortunate topography and reduced amount of fertile lands for agriculture due to population growth pressure, shifting cultivation, or, in Metzner's terminology, "bush fallowing", and the custom of burning forests or pasture `lands. Between 1989 and 1991 alone, 1990 hectares of forests were burned (*Timor Timur Dalam Angka 1990*, 1992:164). Critical land now accounts for 78% of the total land mass of East Timor Province (Carrascalão, 1992:10). Intensive studies in the Bacau and Viqueque regions led Metzner to conclude that there had been "a rapid process of land degradation characterised by erosion, land slides, impoverishment of the soils, and formation of badlands..." (p.293). Nevertheless, he continued, "very little has been done by the area's population to prevent land degradation" (p.269).

Associated with the extension of critical lands is a decline in the economic role played by East Timorese forest products. The East Timorese, for example, used to take great pride in their sandalwood. From the beginning of the 20th century, sandalwood was exported and was referred to by Teofilo Duarte, a former governor of Portuguese Timor, as the factor that motivated the Lusiadas (Portuguese) to come to the island of Timor in the first place (Saldanha, 1991:186). This natural resource has now been depleted to such an extent that it no longer makes a significant economic contribution.

Geographical Isolation

Because most East Timorese live in remote rural areas in dispersed settlements, they do not have ready access to socio-economic facilities. This factor also hampers the attempt to provide them with social services in the fields of health, agriculture and transportation.

Therefore, numbers like the doctor-people ratio which looks good on paper, due to these geographical and social restraints, are not as ideal as the statistics would lead us to believe.

The isolation of rural areas increases communication and transportation costs, and it often becomes too difficult for socio-economic services to reach isolated villages. The same conditions also hinder productive rural community activities. Ormeling (1955) concluded that the dispersed settlement pattern and distance from agricultural fields had hampered cooperative efforts among villagers. Metzner (1977) pointed out the same problem as well when he concluded that "dispersed settlement has long been recognised as a major handicap to development".

Unemployment

Unemployment pressures continue to plague Indonesia's newest province, too. East Timor's state of development would seem to be a bit contradictory. As stated at the beginning of this paper, East Timor enjoys a relatively high rate of economic growth that even exceeds national economic growth averages. The agricultural sector's contribution to the GDRP continues to decline. However, up until 1990 it still accounted for 83.5% of the total work force of 353,800 people (Sakernas 1990).

Those infrastructure sectors experiencing a rapid rate of growth such as the construction, transportation and communication sectors, are not those that absorb a significant portion of the labor force. Jobs are in great demand. In 1990, only 1,393 or 29.5% of the 4,716 registered in the Regional Labor Department as seeking work (86% of whom had secondary education) were accommodated by the job market. In 1991, only 576 or 6.7% of 7,817 job-seekers (84% of whom had secondary education and 9.8% university degrees) were placed (*Timor Timur Dalam Angka 1991*, 1993:49). In 1992, although the absorption capacity has increased, still only 31.3% of 5,561 job seekers were accommodated (*Timor Timur Dalam Angka 1992*). Up through the end of 1993, the labor absorptive capacity had not shown any significant improvement. Apparently the output from educational development programs aimed at general secondary education, which began just after East Timor was integrated into Indonesia, is responsible for this.

Development Approach

A sectorial oriented approach for regional development, departmentalised in the government bureaucratic structures, frequently results in a loss of functional relationships between sectors, an overlapping of different development programs, and wasted resources. Inter-departmental coordination is very weak on the regional level. The coordinative function of the Regional Planning and Development Board (*BAPPEDA*) is still far from ideal both because of the rigidity of the bureaucratic structure as well as internal weaknesses inherent in *BAPPEDA*.

The planning process tends to be a top-down approach. Development programs are often seen as simple projects that need to be done and that can, if possible, be used for getting some commission. A lack of knowledge of the socio-cultural factors often results in inappropriate development projects. For example, houses have been built for the people using a compact compound settlement system which differs completely from the dispersed settlement pattern to which the Timorese are accustomed.

Reforestation (*reboisasi*) covering vast areas is another example of ignorance and rigidity. For years, millions of dollars have been wasted in this project with no evidence of any significant results. Due to the harsh physical conditions of the region, the only way to get any trees to grow is to do it very intensively on a small scale.

There are also some unpopular government policies that have caused resentment and anti-government sentiment. One example would be the decision for the military to own/control a coffee plantation in a village in Ermera Regency which was formally owned by the former Portuguese military and subsequently taken over by the East Timorese. The plantation is now being operated by a private company. To Timorese eyes, there is no difference, then, between being under Portugal or Indonesia because both take over their land. The government's decision to give a monopoly status (although corrected since 1991) to a private company buying coffee is also very unpopular. Worst of all, the *KUD* (village cooperative units) which are supposed to represent the farmers' rights, were also used or manipulated to the benefit of the monopolist.

Corruption

The frailty and shortcomings of local government officials who help to manage development projects have often hampered the achievement of objectives. The incompetence of some middle and high ranking government officials and the corruption and manipulation of funds are serious problems since government officials play major roles in various development activities. Misuse of funds has had a negative impact on the entire development process. However, the picture is not entirely grim. During my four years of consultancy work in East Timor, I have met many, many honest and dedicated government officials who have worked far beyond the call of duty.

Politics

Historical perspective sheds light on other problems that now curb the development work being carried out in East Timor. In 1974 the dictatorial regime of Marcello Caetano was overthrown by

António de Spinola during the Revolução dos Cravos, known as the "Carnation Revolution". At that time all Portuguese colonies, including East Timor, were allowed to determine their own future.

Responding to that new policy, the East Timorese people formed three political parties: UDT, FRETILIN, and APODETI. Later on, three other small parties were formed as well: Trabalhista, KOTA, and ADITLA (the latter was later disbanded because of lack of support from Australia).

Followers of these political parties lacked political experience and maturity, and from their inception, the parties competed fiercely. Hostilities, vicious disputes and even wars broke out between political groups. It was into this situation of rivalry and turmoil that Indonesia came when it annexed the eastern part of the island of Timor in 1976. It is understandable, then, if strong ties to former political parties still cause conflicts among groups of people today, including government officials and policy makers. Such fanaticism frequently disturbs the development process in East Timor.

Traumatic and often bitter experiences, both during Portuguese times as well as the integration period, also impede the development process.

Such feelings need to be neutralised so that they do not become psychological barriers to progress and so that the East Timorese themselves can play a major role in the development process. Many Timorese feel that the "invasion" of relatively large numbers of non-Timorese into East Timor as government officials and entrepreneurs has meant that opportunities on their own doorstep have been snatched away from them.

The political situation in East Timor is controllable and yet "unstable". The continuing fight from the remaining FRETILIN guerrillas - (the so-called *gerakan pengacau keamanan/GPK*), resentment of some Timorese towards various government policies, and the feeling that they are being "recolonised" by the Indonesian government, often cause small political incidents as well as staggering ones like the tragic November 12, 1991 incident to erupt. The fact that East Timor's integration into the Republic of Indonesia has not yet been recognised by the United Nations and that the East Timor case is still on the U.N. agenda has influenced the region's political situation to a certain extent.

A communication gap often seems to exist between the East Timorese people and the government. Some East Timorese deeply resent the government. Some government officials I have talked to, on the other hand, have, in frustration, complained bitterly about the "unappreciative" and "uncooperative" attitude of the East Timorese people towards various development projects in which they have been involved. The people did not seem to realise that they were being helped or given special treatment. "What exactly do these Timorese want, anyway?" government officials and high ranking military officers have frequently asked me in frustration. So, the feeling seems to be mutual, and both sides often feel disappointed, reacting negatively towards each other.

The root of the communication problem is that most of the government officials and military personnel placed in East Timor have not been equipped with a knowledge and understanding of the socio-cultural background of the East Timor people. This cultural gap consequently causes each side to stereotype the other.

It should also be noted that the relatively short period of time since integration with Indonesia has given the East Timorese people very little if any chance to adapt. Students in East Timor suddenly have to learn *Bahasa Indonesia*, the state ideology (*Pancasila*), and recite the names of Indonesian heroes. This has been a cultural shock for them.

After nearly two decades since its establishment as a separate Indonesian province, security problems still persist. Despite significant advances in recent years, there are some individuals who fail to appreciate the new system or lack confidence in it. Some still feel apathetic or bitter because of the widespread loss of life and economic dislocation caused by the civil war. These factors have frustrated the government in its attempts to mobilise participation in development efforts. The socio-anthropological study on East Timor by Gajah Mada University (Mubyarto, et al., 1991) provided an accurate description of the socio-political life in East Timor: "The feeling of trauma is reflected in several forms of behaviour.

Government officials manifest such feeling in clumsy and authoritarian actions or policies; the people manifest it through non-cooperation, apathy and perennial suspicion".

Religion

The people of East Timor are 91.6% Roman Catholic. Due in part to their socio-cultural and historical background, most East Timorese exhibit strong anti Muslim feelings. The same prejudice is also levelled at the Protestant church in some parts of the region. Anti-Muslim sentiments began when "insensitive" policies, especially those aimed at religious practices, were established in the region.

Institutional System

Failures for many development programs can, in part, be blamed against the malfunctioning of the institutions involved. The sudden introduction to new socio-political and economic institutions not only gave them cultural shock but, in some cases, caused them to rebel against the system. At the beginning stages of development, a certain degree of flexibility should be allowed to make use of existing local or traditional institutions and allow them to function.

Concluding Remarks

Undeniably the government of Indonesia has a strong political will to develop East Timor and has exerted a lot of effort there. Eighteen years of hard work in a rather difficult situation has brought East Timor to a different stage of development.

Still, there is a long list of unsolved and newly arising problems challenging all parties concerned.

In my opinion, although politics is not everything, the political aspect is still the dominant issue for East Timor. I believe that the majority of the East Timorese people are committed, fully support the integration of East Timor into the Republic of Indonesia, and would like to see a better future for the region. However, there are indications that some Timorese still view integration as a new form of "colonialism".

The continuing large military presence (*ABRI*) in the region is not really appreciated by many Timorese. This anti-military sentiment has been heightened by "over-acting" and misconduct on the part of a few military personnel. On the other hand, during my field visits to villages in Bobonaro Regency, I also learned that the presence of the military through "territorial operation" development programs was welcomed and very much appreciated. Taking into consideration the achievements to date, problems remaining, and the region's potential, serious attention should be given to the following matters in the future:

a. Improving the quality of human resources and the East Timor society as a whole so that the people can actively participate in a variety of development activities and enjoy the fruits of that development.

b. Improving the quality and outreach of community health services and the quality and relevancy of educational programs, particularly those related to vocational and continuing education.

c. Emphasising comprehensive and integrated rural regional development in order to have an impact on various socio-economic and cultural aspects of the society.

d. Putting stress on the development of the agricultural sector which not only has great economic potential (especially in the case of animal husbandry and fisheries), but is the main source of income for most residents of East Timor. The potential of the animal husbandry sub-section, for example, can be developed by introducing new breeding technology and intensive care to overcome problems of limited grazing areas and lack of feed during the dry season.

Data from pre-integration times indicated such a potential. Metzner (1977:194) noted a prominent increase in Balinese cattle from only 881 head in 1946 to 67,039 in 1969. However, that number had dropped drastically during the "civil war" to only 20,407 in 1980 which is less than a third of the 1969 count. By 1991, the cattle population had increased to 73,150 (*Timor Timur Dalam Angka 1991*, 1993:210).

Horses were once an export commodity in East Timor. Teofilo Duarte's report of 1930 quoted by Metzner (1977:184) stated that East Timor once exported up to 900 horses annually.

The latest statistics indicate that there are 208,706 hectares of grazing land in East Timor at this time. Using a ratio of two head of cattle to one hectare of land, more than 400,000 head of cattle could be accommodated in that amount of space. Optimalising the use of agricultural sector resources is also a good way of mobilising the regional economy. That sector could be used as a decisive tool in raising the standard of living and freeing those entrapped in poverty.

e. Improving support facilities, especially transportation facilities to smooth the way for various development activities. Special attention should be given to the communications sector and endeavours made to overcome the isolation of rural areas that could one day become regional development activity centres.

f. Empowering civil servants and their institutions to conduct development programs. State agencies, from the provincial level on down, are major organisers of regional development activities.

That kind of work demands ample skill, strong dedication, service-mindedness, and an enthusiastic desire to unify the people. Considering the harsh conditions of East Timor, the work-related skills and services of civil servants and their institutions need to be developed and improved.

As expressed in the Fifth Five Year Development Plan of the Province of East Timor, strategies for meeting basic needs of the East Timorese society need to be emphasised in the Sixth Five Year Plan to come. It should also be noted that basic needs do not just imply basic necessities (food, clothing, housing, education and health), but also freedom and the chance to actively participate in development activities (jobs).

In the words of Professor Goulet, freedom from servitude as a basic human need means freedom from being enslaved by poverty, ignorance, nature, people, or other nations. This is what we envision for the people of East Timor.

In addition to that, a more regional non-sectorial approach to development is required. This means that development activities in East Timor would not exist of and by themselves but would be functionally related as a part of a comprehensive package. Each one needs and benefits from the others, and all would be directed towards providing a better standard of living for the people of East Timor.

To achieve optimal results, sectorial-oriented or departmental-oriented thinking must be done away with. East Timor should be viewed as a whole, as a part of the national structure, and as a part of the international world.

Ignorance of regional conditions often causes waste or failure in a project. Paradoxically a development project occasionally even hurts the society instead of assisting it. Comprehensive understanding of the socio-cultural and economic conditions of a society is absolutely essential if members of the society are to play an active role in the development program being carried out. A model like the Integrated Area Development Model can be designed to relate agriculture sector development, post-harvesting process, agro-industry, and forestry and plantation development in an integrated fashion to land conservation and the development of socio-economic institutions as a support structure for development activities. Procuring materials and building the infrastructure for development cannot be disassociated from the linkages between sectors.

g. Encouraging positive thinking. All parties involved in the process of development need to agree to think optimistically and look for a brighter future for their mutual interest.

In order for that to happen, the bitter experiences of the past must be suppressed so that they do not stand in the way of achieving that longed for future.

An Agenda for the Future

a. Political issues, both national and international, should be dealt with seriously. As long as the East Timor case is still listed as an agenda in the United Nations, it will be like a thorn in the flesh which will eventually, directly or indirectly, influence development efforts in the region.

b. Comprehensive development work should be sensitive to the socio-cultural background of the people.

c. The church and NGOs should play a more active, intensive role in developing East Timor, neither as the right hand of the government nor as an opponent of the government. The Catholic Church should be given and should play a more active role in the development process since it has been officially stated in the East Timor Regional Development Guideline for the Sixth Five Year Development Plan that the Catholic Church is one of the three "pillars" of development in East Timor.

d. Flexibility should be allowed in implementing national development policies whenever necessary and appropriate.

e. Sensitive matters such as security issues, religion, and controversies between native people (*putra daerah*) and migrants (*pendatang*), should be handled with extreme caution.

f. A comprehensive and objective presentation of the history of East Timor needs to be compiled. The younger generation often becomes confused or even misled with stories from unconfirmed sources. A correct understanding of the history is important for the Timorese who are, one could say, in the "nation building" stage of development.

g. The human rights problem in East Timor must be seriously addressed in the immediate future.

The East Timor problem is certainly multi-dimensional in nature. Many factors are interrelated. Any development effort undertaken should be based on a careful assessment of all of the socio-economic, political and cultural aspects involved.

References

1. Biro Pusat Statistik, *Statistik Indonesia 1993*,(Jakarta, Januari, 1994)

2. Carrascalao, Mario Viegas, *Prioritas Pembangunan Timor Timur dan Peranan Pemerintah Pusat dan Daerah*, in "Mendorong Kegiatan usaha Dalam Rangka Peningkatan Pendapatan dan Perluasan Kesempatan Kerja", (Jakarta, 26-27 Agustus 1992)

3. Kameo Daniel, *Pembangunan di Propinsi Timor Timur: Capaian, Permasalahan dan Prospek*, KRITIS, (No.3, 1993)

4. Kameo Daniel, et al., *Evaluasi Pembangunan Lima Tahun Kelima Periode 1989/1990 - 1993/1994 Propinsi Daerah Tingkat I Timor Timur*, Salatiga, (Agustus 1993)

5. Kantor Statistik Propinsi Timor Timur, *Timor Timur Dalam Angka 1991*, (Dili, Februari 1993)

6. Kantor Statistik Propinsi Timor Timur, *Statistik Kependudukan*, Hasil Survei Ekonomi Nasional 1993

7. Kantor Statistik Propinsi Timor Timur, *Pendapatan Regional Propinsi Timor Timur 1983 - 1990*, (Dili, Januari 1992)

8. Metzner J.K., *Man and Environment in East Timor: A Geological Analysis of the Bacau - Viqueque Area as a Possible Basis for Regional Planning*, ANU, (Canberra, 1977)

9. Mubyarto, et al,. *Penelitian Sosial-Antropologis Masyarakat Timor Timur*, P3PK UGM, (Jogjakarta, Maret 1990)

10. Pemerintah Daerah Propinsi Daerah Tingkat I Timor Timur, *Rencana Pembangunan Lima Tahun Keenam 1994/ 1995 1998/1999*, Buku I, Buku II, Buku III, Buku IV, (1994)

11. Saldanha, Joao Mariano de Sousa, *Perekonomian Timor Timur: Profil dan Prospek*, ANALISIS, (No.2, 1991)

12. Saldanha, Joao Mariano de Sousa, *Ekonomi Politik Pembangunan Timor Timur*, Pustaka Sinar Harapan, (Jakarta, 1994)

13. Soesastro, Hadi M, "East Timor: Questions of Economic Viability", in Hal Hill, ed., *Unity and Diversity, Regional Economic Development in Indonesia since 1970*, Oxford University Press, (Singapore, 1989, pp. 207-229)

14. Tomodok, Eliza Meskers, *Hari-hari Akhir Timor Portugis*, Pustaka Jaya, (Jakarta, 1994)

Rural Development in East Timor: Past, Present and Future

Arminda Maia

Introduction

Many writers, development theorists and policy-makers have paid considerable attention to the concept of rural development since it came to the fore in the late 1960s. However, when looking more deeply into this, it is apparent that different definitions tend to give different emphases on one aspect or another. Apart from that, there is a tendency to confuse or to use the two terms - rural development and agricultural development - interchangeably.

Since the early 1970s, however, many writers on rural development have come to define it as "the effort to improve the living standards of the rural poor". Uma Lele (1975), for example defined it as: "improving living standards of the mass of the low income populations residing in rural areas and making the process of their development self-sustaining". Thus, the emphasis now is not just on how to increase agricultural or food production, but on "how to increase the welfare of the rural poor and how to make the process self-sustaining". However, given the fact that the largest number of the rural population in most developing countries rely on agriculture and agriculture related activities as their main livelihood, it follows that no discussion on the issue of rural development would make sense without giving due attention to the agriculture sector.

This paper will attempt to look closely at the rural development situation in East Timor, both in the past under the Portuguese and at present, under Indonesia. It also will attempt to address some of the most critical issues which affect the lives of the rural population in this part of the island and are likely to inhibit their development in the near future.

Rural Development Under the Portuguese Rule

Socio-Economic Conditions

It is widely known that the Portuguese colonial government, due to its smallness and anachronistic style of government, did not attempt to make any serious effort towards the betterment of the socio-economic conditions of its colonies until the 1960s. In Portugese Timor, the situation was even worst since it ranked low on Portugal's list of economic priorities. A combination of various factors such as "colonial apathy, mismanagement and deliberate neglect left it backward and deprived".

By the end of the 1960s, after two five-year development plans (*I e II Planos de Fomento*), some signs of development were becoming visible in some areas. In the area of education, for example, some secondary schools were open, both in Dili and in the countryside. Primary schools boosted to a number claimed to be 456 with a total enrolment of 50.000 pupils by 1974.

In the area of health, some improvements were made with the construction of a number of hospitals in the districts and health centres in the rural areas.

However, as acknowledged by Alves Aldeia, then the province's governor (1973), this whole health network still could not meet the needs of the entire population.

In the area of agriculture (including forestry and fisheries), which provides the main livelihood for over 90% of the province's total population, little can be said regarding improvements in the methods of production or other innovations for the betterment of the rural population. Indeed, with the exception of a tiny number of small farmers who had access to the use of tractors (1.367 farmers in 1972), primitive methods of agriculture dating back to to the era before the arrival of the Portuguese in the island were still the norm for an absolute majority of the rural population. Instead, the provincial government concentrated its efforts on export crops like coffee, which accounted for 92% of the total value of exports in 1972, copra and rubber.

Tourism was one of the areas undergoing steady growth, both in the number of visitors and in foreign exchange earnings. In 1972 there were 4,854 tourists visiting East Timor with a total earning of 4,000 "contos". This is highly significant when compared to the 1968 figures with a total number of 1,723 tourists and accounting for only 1935 "contos" (about AU$ 116.000) in earnings.

On the whole, however, East Timor had been a "financial drain" for Lisbon for many years, in spite of the latest already meagre resources. Between 1968 and 1972 alone, subsidies from Lisbon amounted to a total number of 294.181 "contos". All the development plans in the province relied on these subsidies.

Rural Development Situation

Unlike other sectors, rural development had remained almost untouchable by the development programmes introduced in the early 1960s. Only during the Third Five-Year Plan (*III Plano de Fomento*, 1968-1973), did the provincial government promote it as one of its main goals.

One of the main reasons for this neglect of the rural sector was that, apart from the government's scarce resources, it did not directly benefit the white population in the urban areas. This also explains why during the first half of the century most development programmes were concentrated in the capital city of Dili.

During the Third Five-Year Plan, two major projects were given priority in the context of rural development, namely: construction of water supply systems in the rural areas and electrification (actually both projects were confined to the main villages only). Other minor projects included: the construction of public sanitation facilities (laundries, public toilets), storehouses and rural market facilities. In 1973, a plan was also devised to improve the rural population conditions through an extensive and well-designed Community Development Program by a team of experts, including the German sociologist Possinger.

However, the whole business apparently did not even get started with the collapse of the Salazar/Caetano government in the following year.

Rural Development under Indonesia

Settlement and Resettlement

Following the two periods of Rehabilitation (Oct 1976-March 1977) and Consolidation (April 1977-March 1978), in which all efforts were basically geared towards the restoration of stability in the territory, the Provincial Government of East Timor, in conjunction with some international relief agencies such as the ICRC (and later the United States Catholic Relief Services), began to engage in a series of programmes directed towards the population affected by the war and famine of the late 1970s. Since a large number of the population came down from the mountains or was forced to move to other areas by the war or by the authorities (because of security reasons), most of them found themselves in different environments. In many cases these people were forced to abandon their villages up on the hills, either because they were burnt down or because of security reasons, and had to move to the urban areas or to settle along the roads where control upon their lives was much easier for the security forces.

The influx of indiscriminate newcomers (*pendatang*) to the province has undoubtedly worsened the situation. With the exception of thousands of migrants in the transmigration areas (*daerah transmigrasi*) originating from the overpopulated islands of Java and Bali, most newcomers have settled in the urban areas. Many of them, owing to their economic superiority, have increasingly gained control over a significant number of properties and buildings, threfore pushing the native Timorese to the outskirts of the city or up to the hills. In the capital city of Dili, although the figures are unavailable, it is generally believed that the proportion of newcomers is as high as the native East Timorese.

Begining in the mid 1980s, a new policy was adopted by the Provincial Government of East Timor, then under Mario Viegas Carrascalão. The new policy was to encourage through incentives, those people who wanted to return to their former villages or *"povoações"*. At the same time some ressetlement areas (*daerah pemukiman*) were opened on the southern coast for those who were brave enough (Betano and Natarbora).

The results of this new policy were discouraging at first. Many people were reluctant to go back to the mountains for two reasons:

a. They had to start a new life, basically from nothing;

b. For security reasons. Indeed, their huts had been burnt down into ashes during the war, their livestock had all been killed or disappeared, and their land abandoned for years (if not occupied by other people).

As regarding security reasons, it is widely known that to live alone up on the hills offers all the risks of being suspected by the security forces. Indeed, the military has always objected to this policy.

Instead, through their territorial battalions (*Pasukan BTT*), it has been engaged in setting up new settlement areas along the main roads in the countryside.

Some positive results, nevertheless, became visible by the end of the 1980s and early 1990s. In most cases, however, people were asked or urged not to go back to their former villages up on the hills but to settle along the roads nearby, or at least they should open up a linking road to their settlement. Only the village's name was maintained.

Rural Development Efforts

Since the First Five-Year Plan (1984-1989), the Provincial Government, through a multi-sectoral programme, has been seriously engaged in improving the living conditions of the rural population in the territory. Several programmes, ranging from literacy and health campaigns to the family economy education were introduced by hundreds of extension workers. In the area of agriculture, considerable attention was given to both extensification and intensification programmes. In addition, new methods of agriculture and new varieties of crops were introduced from other islands aimed at lifting up the economy of the rural population.

A provincial coordinating office was set up in Dili, the *Direktorat Pembangunan Masyarakat Desa* (Office for the Rural Development Community) and also in each *kabupaten*. This office and its branches in each district designs and implements rural development programmes, while at the same time coordinates all programmes from other departments which are directed towards the rural population.

Two core concepts define the idea of rural development in Indonesia: self-reliance (*swakarsa*) and self-help (*swakarya*). Peoples' participation is a must within this framework. The *Direktorat Jenderal Pembangunan Desa Departemen Dalam Negeri* put it like this: "Peoples' development is a movement, because all efforts and development activities are basically directed towards the rural areas in order to enhance the lives of the whole society with the active participation, if possible, of the community's own iniative" (1992). This emphasis on people's participation is highly crucial in the context of rural development in East Timor as will be discussed later.

A wide range of programmes were carried out by the *Direktorat Pembangunan Desa* of East Timor over the last ten years, comprising:

a. Education and Training in Self-Help/Cooperation
b. Rural Economy Education
c. Rural Infra-Structure Education
d. Rural Development Upgrading
e. Rural Administration

Table 1 Budget Implementation (Financial Year 1992/1993)

Source Rp	*Budget % (%)*	*Implementation Implementation*	*Degree of*
1. Rutin (APBN)	758.910.000	100	100
2. Rutin (APBD)	27.000.000	100	100
3. Inpres Bantuan Desa	4.129.821.450	100	100
4. Proy. Dharma Bakti Mahasiswa Timor Timur	70.065.000	100	100
5. Proy. Pemb. Petugas Khusus Bangdes Kec.	57.920.000	100	100
6. Proy. Peningkatan Daya Guna Bangdes	213.520.580	100	100
7. Bantuan UNICEF	36.912.000	100	100
Jumlah	**5.294.149.300**	**100**	**100**

Source: Laporan Tahunan Direktorat Pembangunan Desa Propinsi Timor Timur Tahun Anggaran 1992/1993

One of the key elements which can play a vital role in the rural development programmes is the team of Rural Development Cadres (*Kader Pembangunan Desa*) which are spread throughout every village in the territory. However, it was found from a report in 1993 that only 46.3% of the total number of 3,595 were active.

The report also noted that there was a need to add 1,042 new members in order to cover the needs of all the villages in the countryside.

Figures regarding the total amount spent in the rural development sector in East Timor are somewhat confusing as several departments have their own programmes in this area. However, the figures from the two Financial Years of 1992/1993 and 1993/1994 from the province's Direktorat Pembangunan Desa could be elucidative to some extent.

Table 2. Budget Implementation (Financial Year 1993/1994)

Source	*Budget Rp*	*Implementation %*	*Degree of Implementation (%)*
1. Rutin (APBN)	996.270.000	100	100
2. Rutin (APBD)	15.000.000	100	100
3. Inpres Bantuan Desa	4.573.890.000	100	100
4. Proy. Dharma Bakti Mahasiswa Timor Timur	74.500.000	100	100
5. Proy. Pemb. Petugas Khusus Bangdes Kec.	95.120.000	100	100
6. Proy. Peningkatan Daya Guna Bangdes	212.394.000	100	100
7. Bantuan UNICEF	36.912.000	100	100
Jumlah	**6.004.086.000**	**100**	**100**

Source: Laporan Tahunan Direktorat Pembangunan Desa Propinsi Timor Timur Tahun Anggaran 1993/1994

As can be seen from the two tables above, the total expenditure in rural development programmes for the two financial years alone amounted to Rp. 11,300,363.00. Of this, over 80% consisted of subsidies from the central government in Jakarta. Foreign aid (UNICEF), although less than 1% in the whole, has also been quite helpful.

Two other major programmes introduced lately in East Timor in connection with efforts to improve the living conditions of the rural population are the *Inpres Desa Tertinggal* (IDT), funded by *Bappenas* (a national program) and the BTT Program, a military project carried out by the Territorial Battalions under the *Korem Wira Dharma* of Dili. The *Inpres Desa Tertinggal* was conceived by Prof Mubyarto of *Bappenas* to erradicate poverty in the most poor villages (*desa*) of the country. In East Timor, it was found that almost as high as 70% of the villages are classified as poor following the criteria adopted by *Bappenas*. The finding came as a "surprise" and a challenge for both the provincial government and Jakarta, as against their persistent claims on the high rates of economic achievement of East Timor over the last ten years or so.

The basic idea of the IDT program was to provide subsidies to those poor villages with what has been called a "revolving fund". Each poor village was to receive Rp.25.000.000,- of revolving funds. However, until the end of October 1994, it was found that only 2% of the whole amount allocated to East Timor has actually been channeled.

Finally, the second program, the so called *Program BTT*, was introduced with the aim of balancing the Combat Battalions which were gradually being withdrawn from the territory. Those battalions were engaged in building modest houses in the ressetlement areas along the roads for the people who were keen to move, rural roads, small bridges, water supply systems, and other similar activities. Although people's participation in these activities is considerably high, an assessment of the degree of people's willingness to participate voluntarily would be worthwhile.

Alternative Thoughts

This paper is not meant to provide a conclusion of the above discussion. Instead, it will attempt to suggest some alternative thoughts following the above discussion regarding this controversial issue. These alternative thoughts are listed below:

a The new settlement and resettlement areas in the post-integration period do not offer sufficient conditions for a sustainable rural development because almost all of them were set up more on the basis of security reasons. If they could work in the short-run, they are doomed to fail in the long-run. Two reasons can be pointed out:

  i. They do not offer sufficient conditions for further development;

  ii. They do not fit with the social and cultural values of the East Timorese;

b. Studies on the issue of rural development in East Timor concentrating on the people's socio-cultural values to promote participation in the development programmes should be encouraged and promoted;

c. Informal leaders, including traditional and Church leaders, should be more involved in the whole process due to the highly paternalistic and religion-oriented structure of the Timorese society; in addition, more NGOs should be also involved as they can generally grasp rural people's needs better;

d. To prevent the further domination of land and properties by newcomers/outsiders in East Timor, provisions should be taken by the local government to protect the interests of the native East Timorese;

e. More than any other step, there should be a strong political commitment or political will from the authorities and all those involved in policy-making to work hard for the real improvement of the conditions of the rural poor.

References

Nicol, Bill, *Timor The Stillborn Nation*, Visa, Widescope International Publishers Pty Ltd, 1978.

Birowo, A.T., 'Rural Development Planning and Implementation' in Allen Maunder (ed.), *Growth and Equity in Agricultural Development*, International Association of Agricultural Economists Institute of Agricultural Economics, Oxford, 1983. Dep. Dalam Negeri Direktorat Jenderal Pembangunan Desa, Sejarah Pembangunan Desa, 1992.

Direktorat Pembangunan Desa Propinsi Timor Timur, *Laporan Tahunan Direktorat Pembangunan Desa Propinsi Timor Timur Tahun*, Anggaran 1992/1993, Tahun 1993.

Direktorat Pembangunan Desa Propinsi Timor Timur, *Laporan Tahunan Direktorat Pembangunan Desa Propinsi Timor Timur Tahun*, Anggaran 1993/1994, Tahun 1994.

Alves, Fernando A., *Na Hora do Arranque*, Agencia Geral do Ultramar, 1973.

Soesastro, Hadi, 'East Timor: Questions of Economic Viability', in Hal Hill (ed.), *Unity and Diversity Regional Economic Development in Indonesia Since 1970*, Oxford University Press, 1989.

—— *Timor, III Plano de Fomento Para 1968-1973, Imprensa Nacional de Lisboa*, 1968.

Lele, Uma, *The Design of Rural Development: Lessons from Africa, World Bank*, Johns Hopkins University Press, 1975.

The State of the Economy of East Timor and Prospects for Self-Reliance

João Mariano de Sousa Saldanha

Introduction

The economy of East Timor is a subsistence agriculture. The Territory was isolated from the major centre of economic activities in the world and suffered heavy losses during the Civil War in 1975 and the armed conflicts afterwards. Most people live in rural areas and are engaged in gardens, rice field and coffee plantations to derive food for daily life.

Subsistence agriculture and isolation have caused many people to believe that the region could not live without substantial finacial support from other countries. Poor natural resources and unskilled labour coupled with isolation hardly attracts foreign investment. No significant secondary sector exists, let alone a tertiary sector in the regional economy. Therefore, along with those provinces within Eastern Indonesia, such as East Nusa Tenggara, West Nusa Tenggara and Maluku, East Timor is regarded as one of the poorest regions in the world. These sub-regional economies are isolated from the major centres of trade and industry of the world. The dependency toward foreign aid either from the rest of Indonesia or from abroad a necessary prerequisite in order for these regions to develop.

Studies have been done to determine the natural resources of East Timor. One of the best studies is *The Exploration of Portugese Timor*, 1937 conducted by a team of the Allied Mining Corporation, a subsidiary of Asia Investment Company based in Hong Kong. The results of this study proved that East Timor has oil, gold, mineral resources and agriculture potential. But the limited number of these studies, which are rarely released to the public, have led many people to believe that East Timor has no economic potential. The situation is worsened by the reluctance of the Portugese government to develop the region except during the last fifteen years of its rule, resulting in the chronic poverty and isolation of East Timor.

Civil war and armed conflicts have destroyed the tourism industry of East Timor along with buildings, houses, bridges and roads. Gardens and rice fields stopped producing during the six years between 1976 - 1981, while the number of cattle, buffalo and goats decreased to the lowest levels ever. The region also lost many assets to the Banco Nacional Ultramarino, in Dili and commercial goods in shops were either destroyed or seized. Moreover, a number of skilled people either died or fled East Timor resulting in a human resources problem.

In sum, the economy suffered a huge loss and was not credited with its leftover assets due to the "no conversion" policy taken by the Indonesian government.

Many East Timorese have had to start a new life after throwing away their escudos (East Timor currency) that they had saved for a long time, because the currency was not recognised as the medium of exchange and asset accumulation.

Since 1977, the Indonesian government has spent around Rp 1.3 trillon (US$607.5 million) to build the infrastructures of education, health, government officers, roads and bridges. This amount does not include military expenditure, which is believed to rival that of the local government expenditure.

The Indonesian government developed the region by assuming that everything must be created new in East Timor because the colonial economic legacy was negligible. However, economic development was met by the challenges of armed conflicts, especially during the 1980s, and the continuing debate of the future of East Timor in the international arena. Thus the economic devleopment process never occured in a stable atmosphere during the last 20 years. Riots, killings and sporadic armed contacts were commonplace and slowed the normal development. Therefore, local resources were not exploited and development expenditure was drawn entirely from subsidies from Jakarta; this included even the domestic budget.

This paper examines the nature of the East Timor economy from the perspective of self-reliance. The main argument is that the economy of the region has the necessasry conditions, such as natural resources and geographic location, for a sustainable economic growth if economic development occurs in a stable environment and appropriate economic policies are pursued. It starts by examining the nature of the economy and the way the money has been spent during the last nineteen years, before proceeding to identify potential sectors for future economic. Finally, a conclusion will be drawn and followed by recommendations on how to develop East Timor towards a self-reliant economy.

The Economy

Effects of Civil War and Armed Conflicts

To evaluate the economic casualties of war, comprehensive research is necessary. Because of limited data, this study only identifies some physical effects without going into a detailed monetary account.

The most apparent effect of the civil war and armed conflicts is the ruin of bridges, buildings and houses, undertaken by both sides to deter attacks from the enemy. Houses mostly were burned out on purpose or as the result of heavy bombardment. In the towns some houses escaped being burnt because they were constructed with cement and zinc, while in the villages throughout East Timor, where most houses used local materials, such as wood, bamboo, coconut and areca leaves, they did not escape from being burned. Therefore, after the recovery many trees, bamboo, coconut and areca leaves were cut to build new houses in towns or in nearby areas. This not only resulted in the decrease of the local economy's production of coconuts but also further damaged the environment.

Agricultural activiites stopped between 1976 and 1981 because of war. Rice production in Uatu-Lari, Uatu-Carbau, Baguia, Viqueque, Baucau and Vemasse stopped from 1979 until 1981 and the population was not able to cultivate maize, cassava, beans and other cereals in their gardens, resulting in famine across the region. The number of livestock also decreased substantially from 848,000 in 1972 to 363,635 in 1984 or only 43% of the 1972 figure. With the growth rate of 4% per year, the population of livestock should have reached 949,760 in 1975 and 1.3 million in 1984. Unfortunately, after the war only 28% of the number expected in 1984 were alive. In addition, goods in shops and warehouses were either seized or destroyed. Business stopped abruptly and capital flight intesified, escpecially in 1975. Cash, savings and deposits in the Banco National Ultramarino (prior to the incorporation of East Timor) totalling 850 million escudos (O Joornal, 20/9/1985) was left behind when the managers flew to Portugal. Nobody knows where this amount of money has gone. Given the exchange rate of 30 escudo to one US$, then the above amount is worth about US$28.4 million.

The economy may have had a substanial boost if the amount of money had been spent in East Timor. The escudo was declared invalid as soon as the Indonesian army landed in East Timor and started the whole new monetary system and new government. If the conversion had taken place and people were compensated properly, the local Gross Regional Domestic Product (GRDP) should have been higher than that of the current level of Rp. 172 billion (US$81.13 million) and the integration process would have been smoother. The 'no conversion policy' was taken because most asset owners were Chinese who were going to leave East Timor anyway. So why bother with the conversion?

Economic Growth and Inherited Crisis

Since the beginning of the 1980s, the Indonesian government has launched a systematic Five Year Development plan (PELITA) aiming "to catch up withother provinces" . Therefore, it adopted a growth strategy by emphasising economic and infrastructure growth. The result is that since 1983 economic growth averaged 8.6% and infrastructure, such as buildings, roads and bridges appeared throughout the region. The regional income per capita also increased from Rp. 132,454 (US$73.6) in 1983 to Rp. 209,137 (US$99.6) in 1992.

The economic growth was spearheaded by the growth of the agriculture sector. This sector contributed 36.6% to GRDP, with government and defence 19.5%, construction 17.7% and trade 9.7% . On the other hand, industry and manufacturing accounted for only 2% of GRDP and services 4%. These figures suggest that the economy relied on agriculture and non-productive sectors, such as government and defence, construction, transportation and communication, while the productive sectors, such as manufacturing/industry, trade and services played a small role in the economy. In addition, inflation in East Timor is between 12 to 15%, the highest in Indonesia. Unemployment is massive, only 30% of around 10,000 job seekers in 1992 could get a job. Exports are only 6% of GRDP or 11% of routine budget and only 2.5% of the total budget.

This suggests the over-dependency of East Timor economy on resources transferred from Jakarta. This is true because economic development occured in an unstable environment which prevented the government from exploiting natural resources.

In addition, around 63% of the total population spent only US$5 - 10 per month (Kameo, Chapter 5). These figures indicate that the economy of East Timor is experiencing a treble crisis, that is, a crisis of poverty, a crisis of over-dependency, and a crisis of unemployment.

Careful studies should be done to design a set of policies to overcome the above crisis. These should come from local capacities and potential. Table 1 provides a hint as to where the potential of the economy lies. Between 1983 and 1992, seven sectors grew above 10% with electricity and water the highest followed by services and manufacturing sectors. Paradoxically, the high growth sectors contributed aound only 2% to GDP which of course has no substantial meaning for the economy as a whole. Electricity and canalised water remain a luxury for most East Timorese. The Australian International Development Assistance Bureau (AIDAB) has started water canalisation in Dili by spending A$18 million over five years. The service and industry sectors also have the potential to increase in the future because tourism has not recovered due to the continuing political tensions in East Timor. Other potential sectors that should receive attention as well are agriculture, manufacturing, industry and trade.

Table 1: East Timor Economic Growth by Sector, 1983 - 1992 with 1983 Constant Prices (%)

Economic Sector	*Average Growth Rate*
Electricity and Water	17.8
Services	14.6
Manufacturing	14.2
Construction	13.5
Transport and Communication	13.3
Mining and Quarrying	13.2
Trade	11.8
Government and Defence	7.8
Agriculture	6.3
Rent	3.4
Bank and Other Financial Institutions	1.2
GRDP	8.56

Source: BAPPEDA TKI and Kantor Statistik Propinsi Timor Timur

Economic Resources

Over-Dependent in Financial Resources

To speed up development between 1983 and 1992, the government declared five priorities for East Timor, that is, government and defence, transport and communication, agriculture, health and education. However, the allocation of development funds did not reflect these priorities at all. The government concentrated only on building an infrastructure by allocating 31% of funds to transport and communications and 22% for government and defence. Agriculture received only 9%, while education and health received about 8% and 5%, respectively. This contradicts the priorities that the government has set[1] .

Aside from that, the critical issue is, will Jakarta continue with its high subsidy to East Timor? Two factors seems to determine the poltics of financial allocation to East Timor. First, it depends on the overall financial condition of Indonesia. From this point of view, it is likely that the subsidy will decrease because of the decrease in the Indonesian total revenue due to the decline of oil exports. It is expected that by the year 2000, Indonesia will be a net importer of oil (Asia Wall Street Journal, 12 December 1994.) Besides decreasing its revenue, Indonesia will have to spend more for imported oils which in turn could reduce its subsidies to East Timor. The second factor is how influential the East Timor issue will be in Indonesian political life, both domestically and internationally. This issue will not go away during the foreseeable future. As the international community begins to pay more attention to political development in East Timor, Indonesia will be forced to find ways to settle the problem. If this is the case then the Indonesian government will maintain at least the current level of subsidy to East Timor.

Population of Quality and Human Resources

As a consequence of war, most of the middle level professionals in government and in the private sector have either died or fled East Timor to Portugal, Australia and Macau. In 1974, there were around 3,000 civil servants, most of them in middle and upper level strata who either died or went abroad. When Indonesia started to develop the region it could not satisfy the need according to the demands. Therefore, the government appointed many under-qualified people to run the government, because of their political activities. However, only a few of these East Timorese achieved the upper level strata in the bureaucracy (*Golongan III dan IV*)[2]. Most East Timorese of the 23.911 (1991) civil servants in East Timor are concentrated in Level I and II, while most outsiders are in level III and IV. This created a wave of resentment against the outsiders which worsened by the private sector being almost exclusively dominated by the outsiders, especially Buginese. This has been reflected in two of the three recent major riots in Dili, which were triggered by racial motivations.

Table 2 Provides an intra-regional cariation of population in East Timor between 1980 and 1992. The high population growth since 1980 is partly because of the influx of outsiders in search of a better economic life. The influx of outsiders can be seen in the high population growth in Dili Regency and other nearby regencies, such as Liquica, Aileu and Ermera. Moreover, the high population growth of Dili is also caused by urbanisation, to seek a better life in the capital and find a more secure place to live. Therefore, Liquica, Aileu and Ermera are also affected. The high population growth in Suai was caused partly by transmigration (Saldanha, 1994 Epilogue) and the influx of neighbouring people from West Timor.

Table 2. East Timor: Population by Regency, 1980 - 1992

Regency	*1980*	*1990*	*1992*	*Growth 1980-1992*
Covalima	32,688	45,310	48,403	4.1
Ainaro	37,167	43,375	44,674	1.7
Manufahi	26,788	34,275	36,000	2.9
Viqueque	54,625	57,279	57,669	0.5
Lautem	38,099	48,390	50,741	2.8
Baucau	74,827	86,675	89,123	1.6
Manatuto	24,442	31,805	33,522	3.1
Dili	67,039	123,305	139,875	9.1
Aileu	15,162	24,657	27,248	6.6
Liquica	29,342	44,245	48,115	5.3
Ermera	56,081	77,570	82,831	4.0
Bobonaro	61,980	81,692	86,337	3.3
Ambeno	37,110	48,979	51,776	3.3
Total	555,350	747,557	796,317	3.6

Source: Timor Timur Dalam Angka 1992

On the other hand, the lowest population growth occured in Viqueque (0.5%) because it is one of the most unstable regions. Some people migrated to other regencies, especially to Dili to avoid security complications. In the meantime, Viqueque could not attract the influx of people because of security reasons and the isolated nature of the regency. This pattern also applies to other low population growth regencies, such as Ainaro and Baucau.

It is very difficult to discuss the quality of human resources in East Timor. Good quality of human resources usually comes from a good education system and good health conditions. Quantitatively the number of school graduates has increased during the last fifteen years (Table 3) but qualitatively it is far from what should be expected. There are complaints about primary school graduates who are unable to read and write.

Materials which should be used to teach the fourth grade are used in the fifth grade: teachers spend longer holidays than the official time and parent often force their children to work in the rice fields, plantations and gardens. In addition, the ratio of students to teachers is high and study facilities outside school, such as books and libraries are non-exsistent. If any books are available they are usually very expensive compared to national costs, due to the high transportation costs.

Table 3. East Timor: School Graduates by Education, 1992

School	*1980*	*1992*	*Students*	*1980-1992 Cumulative*
Primary	1,786	7,407	110,602	104,112
Secondary	122	8,711	21,972	58,511
High School				
- General	34 *	2,954	11,447	11,799
- Vocational	47 *	1,666	6,500	8,500
University		59	2,349 **	

* 1984

** East Timor University, Polytechnic, Open University and Pastoral Institute

Source: Timor Timur Dalam Angka 1992

The problem is more serious in the higher education system, especially in the university. The East Timor University has a negligible library with few books. Most of them are in English which hinders students who cannot read English. In addition, the ratio of students to lecturers is also high; there are insufficient rooms and supporting materials, and the lack of an academic environment. Together these factors contribute to the poor quality of human resources in East Timor.

Since the 1980s, thousands of East Timorese have gone to study in universities and academies outside East Timor and most of them are on Government scholarships. On their return some have to wait for months, even years, to get a job, others try to survive in other parts of Indonesia, especially Java, competing with the local people; others go abroad for further study. Although the outward-looking education strategy gave a boost to the quality of human resources it still could not substantially lift the problem partly because these graduates have a limited capacity to create jobs.

Overall, the good effect of massive education in all levels is that it decreased the illiteracy rate to somewhere between 40% to 50%, lower than that of the Portugese period which is believed to have been around 90%. However, these figures include outsiders who have migrated to East Timor.

In 1992, there were 322,412 or 43% of the total population aged between 5 - 24 in which 152,021 were studying, and the rest may once have worked or are unemployed.

Among the 172,572 people aged between 5 and 14 years old, only 132,574 (76.8%) are studying at primary, junior and senior high schools, while the rest, 23.2%, are not studying. This makes the unemployment gap increase into two areas, that is, educated but unemployed and uneducated and unemployed. The educated but unemployed people certainly cause problems for the government. Table 4 provides figures about job seekers and their placement according to the level of education. Of the total 9,994 people seeking a job in 1992, only 1,741 or 17.4% were placed and more than 80% were still unemployed.

Unfortunately, 80% of those unplaced were senior high school graduates who, combined with the junior high school, make high school graduates 88.8% of the unemployed. This is worsened by 619 unemployed university graduates. Most demonstrations in East Timor are initiated by young people either with political motives to deny the Indonesian presence or is a reflection of the unemployment crisis. This could also be interpreted as the unequal distribution of the fruits of development because most of the unemployed are East Timorese, while many outsiders enjoy a relatively better life working in government offices, which is the only employment available in East Timor. This unequal economic development created social jealousy that was reflected in political protests, riots and racial clashes.

Table 4. Job Seekers and Placement by Education, 1992

	Primary School	*Junior High*	*Senior*	*University High*	*Total*
Placed	210	432	927	172	1,741
Unplaced	308	727	6,599	619	8,253
Job Seekers	518	1,159	7,526	791	9,994
Percentage	5.2	11.6	75.3	7.9	100

Source: Kantor Statistik Timor Timur

Table 5 represents the labor force by the major employment sectors. It is not surprising that most East Timorese work in the agricultural sector because of the agrarian nature of the region. It is believed that most of them are illiterate farmers who produce just to consume without any excess for trading. They are subsistence farmers who often run into deficits in food production which causes localised famine. The deficit in food production is compounded by the continuing political instability, the low education level, lack of excess cash because of low incomes, poor health conditions, including a high incidence of malaria, and the lack of entrepreneurial ability among the East Timorese. This results in a vicious circle which places people in a difficult situation.

The uncertainty of East Timor's political future is also hindered by the exploitation of natural resources. Only 2.6% of the labor force are working in the manufacturing sector, 2.9% in trade and 0.02% in the financial sector. Many development projects are concerned with construction, transportation and communications which can not absorb much of the labor force, because of the captial intensive and limited linkage with other sectors in the economy. This is worsened by importing almost all the development materials. The local people's participation is exclusively in stones, sand and low skilled labor. Therefore, even with a minimum wage of Rp. 2,000 (US$0.91) per day, most job seekers could not be placed. For an uneducated person but skilled in certain activities, such as stonecutter or smith the minimum wage is Rp. 3,500 (US$1.59) per day, while the semi-skilled received Rp. 2,250 (US$1.02) per day.

Table 6 presents the minimum wage levels for Indonesia. Since the supply of jobs is low, most job seekers accept the level of wages determined by the suppliers. The job suppliers in the private sector are small companies with business activities entirely dependent on government projects. Big projects are managed by big companies which usually bring skilled and unskilled labor from outstide East Timor.

Thus, all we can say is, that the poor quality of human resources in East Timor is caused by the poor education system, poor health conditions, low income and lack of entrepreneurial capabilties.

Table 5. East Timor: Labor Force by Major Employment Sector, 1990

Sector	*1990*	%
Agriculture	295,376	83.49
Mining and Quarrying	331	0.01
Manufacturing	9,263	2.62
Electricity and Water		
Construction	3,675	1.04
Trade	10,216	2.89
Transport and Comm.	1.362	0.38
Finance and Rental	544	0.02
Publ. Service nd Defence	32,273	9.12
Others	272	0.01
Total	353,799	100.00

Source: BAPPEDA TK I and Kantor Statistik Timor Timur

Natural Resources and Agriculture

Many people think that East Timor has no natural resources, let alone human and capital resources. Therefore, because of this, it must associate itself with a rich country in order to get assistance and subsidies in order to survive. This analysis is not correct because there are studies, showing the contrary, especially a study carried out by the Allied Mining Corporation which concluded that East Timor has a number of untapped natural resources.

The limited number of books and articles on the economic potential of East Timor led many people to believe that East Timor had no natural resources. Indeed most studies done during the Portugese colonisation era concerned only the socio-anthropological aspects of the region. The economic potential of East Timor is better described by S.F. Witthouck, President of Allied Mining Corporation, "A Romantic Island of Timor has been disregarded as having any economic value". Witthouck went further, "With the hard work of our team during 15 months, we believe that we have proved the economic and financial value of Timor". The conclusions of the Allied Mining Corporation are presented below.

> *First, Timor has oil. Various geological formations and structures favourable for the retention of petroleum have been located. Large areas with oil bearing structures will require further examination. Drilling campaigns will prove the commerical value of the oilfields at depths not exceeding 750 metres.*
>
> *Second, Timor has gold. In view of its encouraging prospects and magnitude, the Manufai district, should after the necessary prospecting and development work have been carried out, prove to be an important field for lode and placer gold.*
>
> *Third, Timor has mineral resources. Minerals of economic value discovered in various areas of the Colony (Timor) deserve considertion for future prospecting and development work.*
>
> *Fourth, Timor has agricultural possibilities. The richness of the soil and favourable climatic conditions coupled with the cheapness of labour will undoubtedly develop a profitable business by the growth of various major crops.*
>
> *For the reasons stated above, Portugese Timor is a very promising proposition for future development*

Having said that, let us examine all sectors that Allied Mining Corporation has set out, plus the tourism sector, which is believed to have economic potential for the future.

Table 6. Indonesia: Minimum Wage Levels per Day by Education, 1992

Category	*Rupiah*	*US $*
Semi-skilled	2,250	1.06
Skilled	3,500	1.65
Primary school	4,560	2.15
Junior High School		
General	5,718	2.70
Vocational	4,710	2.22
Senior High School		
General	6,330	2.99
Vocational	4,932	2.33
Academy	8,094	3.82
University	11,202	5.28

Source: Timor Timur Dalam Angka 1992

Mining and Quarrying

Oil and natural gas still do not play a big role in the economy of East Timor. Partly because the oil fields are still not exploited, due to political reasons. Indeed East Timor has oil not only offshore but also onshore. The offshore oil has just started to be explored amidst the political debate about who should exploit it because of the unsettled political future of East Timor.

Australia signed an agreement with Indonesia in 1989 for a joint oil exploration in the Timor Gap, a region offshore of East Timor which is believed to have huge oil reserves (5 billion barrels, Usman, 1985) or could produce 200,000 barrels a day (de Silva, 1994). Therefore, exploration becomes a high profile political issue.

De facto, East Timor is the 27th province of Indonesia but the United Nations still considers Portugal as the administering power of the region and so Portugal brought the case against Australia to the International Court of Justice in Den Haag, The Netherlands. If Australia loses the battle, production may halt but only for a few years because the companies involved in exploration will probably lobby vehemently to force Australia to seek a new settlement which enables them to restart exploration. These companies have full knowledge of the status of the treaty. While some big international oil companies have refused to finance the exploration due to the legal problems, others just participate in the exploration hoping that Australia will win in the ICJ. They have invested around US$156 million (until 1994) and definitely will try to seek compensation from the Australian government if Australia loses the case and the treaty is declared void. At worst, these companies will sue the Australian government.

On the other hand, domestically, the central government of Indonesia is also facing pressure from the East Timorese living inside the country to build the exploration Base Camp in East Timor, because the Gap legally belongs to East Timor. Yet so far the government has decided to build the Base Camp in Kupang, West Timor.

The zone of cooperation covers an area of 60,000 square kilometre stretch of deepwater between Australia's north-western shores and East Timor's southern shores. The 1989 agreement divided the zone into three zones - one Australian, one Indonesian, one shared.

The companies involved in the exploration include BHP Petroleum, Woodside Petroleum, Enterprise Oil, Phillips Petroleum, Royal Dutch/Shell Petroleum, Santos and Korea Petroleum. Since 1994, drilling has begun in Zone A which is jointly explored together with equal distribution of the findings after deducting investment costs. So far oil has been found in Elang I with 5,800 barrels per day (bpd), Elang II, 5,300 bpd and Kakatua I, 8,100 bpd. These findings confirm that the Timor Gap has significant oil reserves. Provisory figures predict that Elang has a reserve of up to 400 million barrels and Kakatua around 300 million barrels.

Nevertheless, there is great uncertainty about the magnitude of the oil reserves, partly because the 23 wells scheduled for drilling have not yet been finished. However, specialists say that the prospects are very good because within the Gap, oil has been discovered after 11 wells drilled, which is higher than the world average, that is, 20 wells per discovery.

What does oil and gas in the Timor Gap mean for Australia, Indonesian and East Timor? It means a great deal for different reasons. For Australia, the oil in Timor Gap could solve problems of demand which increased rapidly during the last decade (Folie and Ulph, 1979). The level of self-sufficiency of oil in Australia reached the highest level in 1993 when 82% (280 million barrrels) of oil demand was filled by Australian domestic productions, including that from Bass Strait and Halibut. But the year 2002 it is expected that the Australian level of sufficiency will decrease to 37% (428 million barrels). By that year Australia will have to spend $6.6 billion dollars to import oil which accounts for 19% of Australia's total imports . In addition, in 1980, Esso, a British Petroleum company issued a report in 1980, that Australia should vigorously seek to find more oil to maintain its 1980 level of oil imports

(25-30%). This is far higher than 19% estimated by Folie and Ulph. An oil expert stated in an interview that in 1994, Australia's highest production was 0.35 million barrels per day, while its demand was 0.6 million a day. This means that Australia will have to import 63% of its oil needs. These figures show a more rapid decrease than that which Folie and Ulph have predicted, that is, in 1994 it still was able to provide 80% of its demand.

Looking at these statistics it is true that Australia needs to secure more oil reserves to avoid an energy crisis in the future. The country could at least be relieved from its balance of payments where imports of oil account for one fifth of its total imports.

For Indonesia, the joint exploitation aggrement with Australia is a political gain since the agreement obligates Australia to recognise Indonesian sovereignty over East Timor. This is a political gain that Indonesia badly needs in order to settle the East Timor issue, although economically Indonesia is not favoured by the agreement as stated by Professor Herman Yohannes from Gadjah Mada University (*Kompas*, March 2, 1989). However, things do not always work as expected .

The issue of East Timor continues to attract international attention ever since the November 1991 Tragedy and the following events, such as the US Embassy invasion by East Timorese students, riots in East Timor and the killing of six civilians in Liquica Regency on January 12, 1995.

For East Timorese who have an income per capita around US$ 104 per year, oil exploration means a great deal. It could help to lift their standards of living and income, and they have a right to expect that all exploration trials must be done in the light of benefiting the East Timorese. Therefore, the East Timorese who live inside the region reacted spontaneously and strongly against the decision to build the Base Camp of exploration in Kupang, West Timor. If the Base Camp was built in East Timor it would help to solve some of the unemployment problems.

The Base Camp would benefit people around the region at least in eight ways. First, the creation of employment and contracting opportunities which will, hopefully, absorb some of the unemployed. Second, the training of personnel. Third, the opportunities to supply intermediate goods. Fourth, annual donations by oil companies to local government and community. Fifth, land tax payments to the provincial and district governments. Sixth, additional central government investment and subsidies to the region made possible by petroleum financed central government revenue originating from East Timor. Seventh, the Base Camp will also generate investment in other sectors, especially hotels and infrastructure. Eighth, it also will provide social amenities, such as good roads, electricity and water.

Another expectation of the East Timorese living inside the region is that a portion of oil revenue will be allocated directly to the regional budget as a sign that oil exploration which benefits the East Timorese will reduce the financial over-dependency on Jakarta.

Nevertheless, all these expectations seem difficult to be realised because the central government has decided to build the Base Camp in Kupang. This decision was for political rather than for economic reasons. The unsettled political status of East Timor and the activity of pro-independence guerilla forces led the government of Indonesia to build the Camp in Kupang. Arguments stating that Kupang has more facilities is just an excuse for the decision already taken (*Suara Pembaruan*, November 30, 1994). In the early 1970s, when the exploration began, the basis of operation was Dili and Suai. Even the explorers looked at the possibilities of building support bases in Uatu-Lari (see Map 1). With the minimal conditions that Dili and Suai had at that time, it did not pay prospective companies to operate from both cities. But now infrastructure is suddenly a major problem. This decision only strengthens the opposition of the East Timorese against Jakarta's rule - a rule that has lasted for 20 years.

Indeed it is still not too late to change the location of the Base Camp, since the operation is still not fully conducted. Thus, the regional government of East Timor should continue to lobby the central government to build the Base Camp in East Timor.

Apart from that, the local government should create and upgrade basic infrastructures in East Timor, such as the Dili -Suai road, provide conditions to build more hotels, improve telephone lines, electricity and water supplies and new markets. For these reasons, the East Timorese should do more to attract foreign investment and convince the central government that East Timor is a viable location for the exploration teams. These efforts should also include land provision for foreign investment and free them from tax responsibilities during several, that is, 5 - 10 years. Therefore, the East Timorese should stop whimpering for the Base Camp but should point to the positive and negative aspects of building the Base Camp in East Timor now.

Aside from oil in Timor Gap, East Timor also has on-shore oil potential.

The Allied Mining Corporation team identified Cribas in Manatuto, Aliambata and Irabin in Viqueque as the most favourable locations for oil and gas seepages, carbonaceous and bituminous shales, and closed anticlinal structures (pp.62). The Cribas structure is so well defined that oil could be found at a depth not exceeding 350 metres and of those in Aliambata and Irabin, oil could be found at a depth not exceeding 500 metres. The company went on to suggest that these three locations should be drilled simultaneously in order to reduce overhead costs. This oil potential should be exploited to strengthen the economic viability of the region. The role of mining and quarrying in East Timor so far has only 0.2% of GRDP and only absorbs 0.01% of the labor force.

The oil exploration both off-shore and on-shore will also help to fill the energy demand of East Timor. In 1992/93 only 19,067 electricity subscribers. Assuming that one subscriber is a household with 5 members, then only 95,335 people or 12.7% of East Timorese have access to electricity. The total production was about 31,208,628 KW which raised only Rp. 5,320,756 (US$ 2,509.7) for the budget. Therefore, the demand for energy is still high because around 80% of the population still has no access to electricity.

Another source of energy in East Timor is Lake Ira Lalaro in Lautem. The lake has a catchment-basin of 450 square metres and with a rainfall of 2,000, the lake could generate additional power of 73,000 KW. This could provide a boost, not only for energy consumption, but also for commercial purposes.

The non-oil mining resources of East Timor comprise gold, marble and salt. Allied Mining Corporation discovered a big potential for gold in Manufahi and the Hili Manu (Manatutu) chromite deposit. In Manufahi fairly large pieces of placer gold have been found in all the streams, down to the edge of the flood plain area. In Hilimanu District it was found that a commercial quantity of fair grade chromite was available (pp.43). The average content of sediment being analysed contains 3,968 g/ton (ppm) of gold.

Marble is another potential commodity in East Timor. P.T. Marmer Alam Timor Timur. Ltd, a subsidiary of the Batara Indra Group, the largest holding company in East Timor, in 1993 started to exploit marble in Manatutu. In an area of 150 hectares and at a depth of 2 meters a marble stock with 3,000,000 cu.m. was found. The Batara Indra Group Inc. exploration is officially a "project" with no commercial operation as yet. However, the company sent some products to Surabaya to be exported on to Singapore.

There is also some indication of silver, copper, manganese, bentonite and gypsum in East Timor which still needs to be proved to be commercially viable.

Salt is another untapped commodity in East Timor. Grain salt is found in Manatutu, while stone salt is found in Laga, Baucau. In the Portuguese era residents of these regions used to produce salt and sell it in the local market and sometimes Dili. Since the incorporation of East Timor there are no individuals or companies interested in exploiting salt for commercial purposes. The salt consumption in East Timor was then around 0.95kg per capita per year and this demand is now filled by imports which stood at 668.2 tons in 1992.

All of these natural resources show that economically East Timor has a bright future, contrary to what people have long maintained.

Agriculture

East Timor is an agrarian society and therefore in the agriculture sector lies the economic future of the region. About 90% of households derive their income from the agricultural sector (Soesastro, 1989) besides 83% of labor force work in the sector. Agriculture also plays a major role in the economy by contributing 36.7% to the GDP. Of these, food crops are the major component contributing about 20% to the GDP followed closely by tree crops, 8.6% and livestock, 7.1%, while fisheries contribute a negligible portion of 0.5% to the GDP.

In 1992 the production of rice reached 56,358 tons and maize 94,354 tons. Are these levels of production sufficient to meet the demand of the region? Of course not! The above rice production is not sufficient to meet the demand for rice so 31,394 tons or 36% of the total demand, 87,752 tons, was imported. This level of demand should not be difficult to produce if all rice fields have been fully cultivated and intensive production methods have been applied, including mechanisation and fertilisation. The productive rice field area in 1992 was 18,897 ha with 8,686 ha being under intensive production resulting in 3.23 ton per ha in productivity, while the productivity of the non-intensive method of production reached only 2.98 ton per ha.

East Timor should be able to be self-sufficient in rice production provided that the extensive rice field is cultivated and the increase of productivity is increased. There are a number of indicators that could guide us in this debate. First, in Viqueque and Covalima (Table 7), the two largest producers of rice during the Portuguese era, production levels have still not reached the level of prior to the 1975 civil war. The area of production in Viqueque is only about 3,194 ha which does not reflect the size of the potential harvest area. This regency should have a total of rice fields of around 25,000 ha in Laliu, Faidebun, Saqueto, Faetun, Nariquici, Naedala and Iratokoro (Uatu-Lari), Naekoan, Cumuoli, Baidubo and Irabere (Uatu-Carabau), Luca and Buananaro, (Viqueque).

But due to security and irrigation problems most of these locations are not yet cultivated. Therefore, Viqueque becomes only the second largest rice producer in East Timor, although during the Portuguese period it was the major producer; it even exported rice. Bobonaro became the major rice producer after 1980 because it has been one of the most stable regencies in East Timor since 1978, while in Viqueque sporadic clashes between the Indonesian forces and the guerrillas still exist.

The second factor is that the current rice productivity of 3.0 ton per ha is low compared to Indonesia's 4.2 to per ha. Unfortunately, only 64% of the current rice fields have this productivity and the rest produce only 2.1 ton per hectare.

According to studies conducted by Missoes de *Estudos* Agronomicos or Agronomics Studies Mission (Goncalves et al, 1974), a Portuguese government organisation, found that rice productivity in East Timor could reach between 4.3 and 5.5 tons per hectare if the correct method of production is employed and adequate fertilisers used. This study does not differ very much from the other research that was carried out by the Indonesia's Department of Agriculture Research and Development Section or *Badan Penelitian dan Pengembangan Departemen Pertanian* (1991). This study found that the productivity of rice field in East Timor is between 3.5 and 5.0 tons per ha using semi-intensive and intensive methods of production. Therefore, it is clear that East Timor has the potential to increase the level of production, not only to fulfil the demand for rice in the territory, but also to export to other nearby regions. There are 58,546 ha potential rice fields (East Timor Potential Profile, 1993). If the 25,000 ha that used to produce in Viqueque Regency plus the current area of production of 18,897 ha using the semi-intensive production method with a productivity of 3.5 tons per ha are combined, it will result in 153,639.5 tons of production. This already exceeds the current consumption level of 87,752 tons with a balance of 65,887 tons. This is a likely scenario that could possibly occur. By 1996 the population will reach a projected 864,713 and the demand for rice could well be 101,002 tons. This demand is still well below the projected production level which is about 153,639 tons or a balance of 52,637 tons. If the optimistic scenario of 5 tons per hectare occurs then the total production will likely reach 219,485 tons with a surplus of 118,483 tons.

Table 7. East Timor: Rice Productivity by Districts, 1992

Districts (ton/ha)	*Ricefield (ha)*	*Production (ton)*	*Productivity (ton/ha)*
Covalima	619	1,934	3.1
Ainaro	470	1,358	2.9
Manufahi	657	1,560	2.4
Viqueque	3,194	8,367	2.6
Lautem	919	2,054	2.2
Baucau	2,853	11,122	3.9
Manatutu	1,320	3,828	2.9
Dili	190	532	2.8
Aileu	472	1,344	2.8
Liquica	158	513	3.3
Ermera	618	1,752	2.8
Bobonaro	5,944	17,439	2.9
Ambeno	1,483	4,556	3.1
Total	18,897	56,359	3.0

Source: Timor Timur Dalam Angka 1992

The above predictions are based on one harvest a year. It does not include the production of dry (land) rice. Most wet rice fields in Viqueque and Suai could produce twice in a year. With the longer rainfall coupled with a good irrigation system the second cultivation is easily carried out.

The mechanisation of rice production depends on the readiness of the farmers to adopt new technologies, such as mechanisation and the use of fertilisers as well as the financial capability of farmers to utilise them. Up to this moment both aspects are still lacking in the East Timor. Therefore, the government ought to do more to provide adequate knowledge and subsidies in order to realise this objective, including how to attract fresh high school graduates into the agriculture sector.

Once food self-sufficiency has been achieved it will create a big impact on the balance of payments of East Timor. Cash for rice imports is reduced which could otherwise be used for other purposes.

Another potential commodity of East Timor is maize. Since 1985 East Timor has stopped importing maize because the local production covered local consumption. This is another important development, thereby reducing the dependency of East Timor on the central government for food. The level of maize production is also believed not to have reached its production prior to the civil war in 1975 because, due to security problems, extensive gardens in central and eastern part of East Timor are still not cultivated.

Coffee is the only commodity that has created a surplus for the regional economy. The deficit of the balance of trade has been financed by coffee exports (Soesastro, 1989). Nevertheless, coffee revenue is very volatile due to the volatility of price levels in the international market. In 1986, the total production was 9,572 tons but decreased to 7,734 tons in 1993. This reduced substantially East Timor revenues because 90% of its export come from coffee. The fluctuation in production was largely caused by disease and rehabilitation program of coffee plantations. In 1993, the total area of plantations was 55,316 ha with Ermera (63%), Manufahi (14.5%), Liquica (7.3%), Ainaro (5.5%) and Manatutu (1.8%).

Since 1994, the coffee industry is no longer monopolised by P.T. Batara Indra Group, because the current Governor, Abilio Osorio Soares, issued a decree to free the market, causing coffee prices to increase sharply, even more than the international price (Saldanha, 1994 Epilogue).

However, the increase in price was also caused by the shortage of supply in the international market due to the poor harvest in Brazil, the main producer of coffee. The high dependency on coffee export might have a counter-productive effect once the price of coffee goes down. The economy will experience 'The Dutch Disease" - when revenue from coffee decreases the revenue of the region will also decrease and vice versa - because of over-dependency on coffee exports. To avoid such disease, commodity diversification is necessary. The promising commodity is coconut which is also not fully yet exploited because of security problems. Most coconut plantations are in the southern coastal areas of East Timor which unfortunately are crucial locations for security problems. In the past, as well as at present, coconut or copra comes second in generating revenue for East Timor.

In 1972, coconut exports was about 3,916 tons with 4.5 million escudos or US$ 150,000 (Saldanha, 1995a). In 1993, the production level was 5,516 tons but it is not known how much additional revenue it generated for the local economy. This is a decrease of 70% of production from the 1990 production level (9,371 tons). It indicates coconut production has still not become the priority in the local budget. The coconut producers are Viqueque, which produces 75% of total production in 1993 (5,516 tons) and followed by Baucau (13.6%). This indicates the possibility of increasing the coconut production to generate additional revenue for East Timor.

Livestock is another potential sub-sector of agriculture in East Timor. It contributes 7% to the GRDP in 1992. Although it suffered heavy losses during the civil war and armed conflicts, the population has now started to increase again. East Timor is believed to have a comparative advantage in livestock, given the 'transitional' nature of its vegetation and climate, and established animal husbandry activities (Soesastro, 1989). Cattle, buffalo, horses and pigs are the major domesticated animals used either for agricultural purposes or for ceremonies. So far there is no livestock industry, partly because of the lack of capital, and also security reasons. Last but not least, fishery also offers good prospects for development in this sector. The sea resources of East Timor are so far still untouched, again because of the lack of capital and security problems. The demand for local consumption is high, while production is low, let alone for export. The Tuna World Company, a California based company has started to build a fishing infrastructure in Hera just outside Dili, but what the results will be, remains to be seen. There are rumours that the company may pull out because of security reasons.

Up to now there is limited fishing activity in East Timor. In Dili, a number of restaurants that concentrate on providing fish dishes at night, and managed by Sulawesi migrants, have emerged, but these mostly raise their own fish which has small effect on the fishing industry. Not many East Timorese are active in this subsector except those from Atauro island (north of Dili) whose main economic activity is fishing while the rest of East Timor is mostly engaged in rice production and working in gardens.

In 1992, the number of full time fishermen in the whole region was 2,886, 37.6% from Dili, especially Atauro, 20% from Baucau and 15% from Liquica. Fish production in that year was 1,192 tons.

Tourism

The tourism sector is one of the most untouched sectors in the economy after the integration of East Timor into Indonesia. This is due to security problems. Prior to the war tourism contributed a large number of foreign currencies to the local economy, especially the Australian dollar.

The Airport of Baucau which used to be the gateway for tourists entering East Timor from Darwin, Australia, now remains closed for commercial purposes, although the local government is concerned and has asked the central government to reopen the airport. It will give a boost to the local economy if at least one of the airports, Dili or Baucau is opened for international commercial flights. Once the international gateway has reopened many tourists will be able to go to East Timor even though political stability is not fully restored. Most of the (approximately) 40,000 East Timorese living abroad (Australia, Macau and Portugal) are anxiously waiting to visit East Timor. However, the inward flow of East Timorese also is small, due to the fear of the central government, which argues that by opening East Timor for tourism it could be used to conduct political activities. This argument may be true, but it is too much of a generalisation since most East Timorese in the diaspora do not engage in political activities and some of them in fact are anxious to return and spend their final days in their homeland.

Economic Policies for Self Reliance

Talking about self-reliance in the economy of a region implies the ability of the region to fulfil its needs with its own resources, that is, natural resources, human resources and capital. Self-reliance in this globalised economy also means making use of its own resources and creatively seeking economic relations with other regions to advance its economic development.

The economic viability of East Timor rests on its agrarian society. Therefore, it is in the agricultural sector that East Timor should build its economic capabilities. Beyond agriculture there are a number of untapped natural resources, such as oil and gas, gold, non-oil mining, salt, electrical power and tourism. The unexploited natural resources have not contributed to the economic development of East Timor which now is experiencing the lack of job opportunities, a high level of poverty, over-dependency of monetary transfer from the central government, and the misallocation of resources. Therefore, any effort to improve economic development in East Timor must address these problems, especially the political factor, as the pre-condition for normal economic development.

This paper advocates the reallocation of economic resources to stimulate the local economic potential to grow and flourish and to eradicate poverty. In this context three economic policies in East Timor should be pursued: local people empowerment, agriculture employment-led strategies, and sub-regional economic integration with the nearby areas.

Local People Empowerment

Special programs should be created to provide more opportunity for the East Timorese in trade, manufacturing, and services. In the past, the government created credit facilities, retail training outside of East Timor, awarding contracts to indigenous companies, priority placement for any government job openings. However, all of these programs lacked consistency in implementation. Programs either did not start from the beginning or stopped midway. Other programs were directed at East Timorese but fell to the outsiders.

Matahari Group, one of the supermarket chains with large operations in Indonesia, together with a consortium of companies sent 100 East Timorese to on-the-job training in Jakarta and Surabaya in

1990, and it was hoped that upon their return they would be provided with adequate funds (credit) to start doing business in Mercado (site of the market during the Portuguese era) in Dili. Unfortunately, after finishing the training there was no follow up. On the contrary, the project was stopped following the Santa Cruz Incident in 1991 and the dismissal of the local army commander who was sponsoring the project.

Another program is now providing cheap credit for the East Timorese to start doing business. Only a few are active in the trade sector, competing with the high skilled outsiders and Chinese merchants (Table 8). Most of the East Timorese are concentrated in small size companies, while the outsiders and the Chinese dominate the medium and large scale enterprises. Therefore, a task force comprised of top local bureaucrats was created to administer small credit, ranging from Rp. 1,000,000 (US$ 471.7) to Rp. 20,000,000 (US$ 9,434). Between 1991 and 1994, the government has channelled Rp. 982,000,000 (US$ 463,207.6) to 129 people. Until 1994, the rate of credit repayment was 16.5%. The objective of the project was to empower the East Timorese but a proportion of the these credits also fall into the hands of outsiders. This contradicts the objective of the project.

Table 8. East Timor: Companies by Scale and Owners 1993

Size	*Timorese*	*Chinese Timorese*	*Outsider*	*Chinese Outsider*	*Total*
Large	35	17	57	48	157
Medium	559	119	565	152	1,395
Small	803	396	657		1,897
Total	1,397	532	1,279	239	3,449

Source: Kantor Wilayah Perdagangan Timor Timur, 1993

The government also tried to stimulate the emergence of local entrepreneurs by awarding government projects both at provincial and regency levels, to indigenous companies. Unfortunately, most of the projects did not work because many of the company owners turned out to be the bureaucrats who built companies around them. Besides the lack of entrepreneurial ability, most of them neglected the completion of the project, simply because they had another job and had no managerial competency. These "businessmen" are only interested in getting contracts and of course the money, so the projects were poorly executed or just sub-contracted to outsider's companies. Instead of spending the money for the project, others used the funds to buy consumer goods.

The lack of managerial expertise and entrepreneurial skills hindered the efforts of building a class of businessman in East Timor. It is worsened by the greediness of several groups close to the power circle, who were awarded projects costing billions of dollars, but could not finish the projects because of the lack of expertise and the capacity to execute the projects.

Another failure to empower the East Timorese is also evident in the recruitment of Public Service Officers. Recruitment is not only carried out in Dili but also in Jakarta. Of those recruited in Dili, some are outsiders and those recruited in Jakarta are exclusively outsiders. For the 1993/94 fiscal year, the provincial level had 275 vacancies. The positions for university graduates were 90 people, 30% of them to be filled by people selected from Jakarta.

There is also a gap in the public sector in East Timor. Besides most high level officials (*Golongan III and IV*) in local government bureaus being outsiders, those in department branches are almost exclusively outsiders. This comprises 50% of the total civil servants at the provincial level and around 20 to 25% at regency levels. This imbalance must be corrected, otherwise it will complicate the whole employment crisis in the region.

These factors are derailing the efforts to empower the East Timorese. While the success of small scale credit remains to be seen, the case of awarding government projects to East Timorese and the public service recruitment pattern clearly show failures.

Another way of empowering East Timorese is to provide more jobs. The Base Camp of the Timor Gap exploration should have been built in East Timor rather than in West Timor. Otherwise the central government is creating a time bomb that could explode at anytime (*Suara Pembaruan*, November 29, 1994).

Agriculture Employment-Led Strategy

As discussed previously, agriculture showed a great potential for improving the economic development of East Timor. However, much of the resources, especially capital, have not been adequately allocated to this sector. Agriculture has received no more than 10% of the total development budget (Saldanha, 1994 p.224 and p.343) during the last 15 years. This is small compared to the proportion for infrastructure (construction, transport and communication) which consistently has had more than 35% during the same period.

It is argued that the infrastructure must be built first before anything else. To a certain degree this could be correct but plunging funds into the infrastructure sector for a longer period not only affects job-creation but also will derail economic development, thus leading to a development crisis as experienced by East Timor during the last two decades. Infrastructure is a capital intensive sector, has short linkages with other sectors and above all, local resources cannot be used because most of the goods and services needed are imported. Therefore over-emphasising the infrastructure development could well alienate people's participation in development.

Redirection of financial allocation for development in East Timor is necessary to correct the imbalances. More funds should be allocated to the agriculture sector, which has long and strong links with other sectors and should be labour intensive to create more jobs that are badly needed by the East Timorese. Above all, the economic viability of the region lies in the agriculture sector; therefore it is rational if the agriculture sector receives more attention in terms of development funding.

Where should the allocation of funding go in the agriculture sector? First, to food crop production. The two most important crops in this category are rice and maize. More funds should go to build good irrigation systems in Viqueque (Uatu-Lari and Uatu-Carabau) and Suai. Viqueque is the most neglected regency during the last 20 years of East Timor's economic development, although it has potential of rice and maize production not only for East Timor consumption but also to fill the need for rice in West Timor and the Northern Territory of Australia. More funds should also be used to open more ricefields in Viqueque and Suai. In the mean time, more funds are needed to provide middle level agricultural experts to assist the local people, especially in mechanisation process and in training farmers. The government also should create a special fund to buy the over-produced rice from the farmers as an incentive for commercial production. Industries related to rice production, such as fertiliser and paddy hulling activities should be promoted.

The second sub-sector is state crops. Coffee must get the priority for rehabilitation, new plantations should be opened, together with fertiliser plants, manufacturing, and marketing. At the same time, the industry for coffee powder should be reactivated again because most coffee exports are coffee beans which have a small additional value and has created few jobs for the economy. Coconuts must get the second priority in the sub-sector of state crops. Most plantations in the southern coast have not yet fully recovered, let alone able to be exploited for commercial purposes. The products of coconuts are used for very diverse purposes, such as oil, soap, and in other chemical industries.

Research in the late 1980s indicate that Lospalos has a potential for sugar production. The neglected port of Com, Lospalos, was actually built to anticipate future sugar production. Unfortunately, production never started and the port has also never been used, even for other purposes.

After state crops the next sub-sector that needs an equal treatment is livestock. East Timor has a comparative advantage in livestock production and therefore the region should concentrate on any aspect of livestock production, such as cattle breeding and beef industry, not only for local consumption but especially for exports. It is believed that cattle production in East Timor is cheaper than production in Australia's Northern Territory. In this context special packages for investment in livestock are very important in order to attract prospective investors, both domestic and foreign.

The fishing industry is also another potential sub-sector in agriculture which until now has been pretty much untapped. The California based World Tuna Company started to build an infrastructure in Hera, an eastern suburb of Dili but the results remain to be seen. Nevertheless, the government should take every opportunity to ensure that the company is doing well and that there are no unnecessary costs which burden the company.

It is hoped that by concentrating in multi-dimensional agricultural development more jobs will be created, more people will participate in development activities and more people will reap the benefits of development, especially those who live in the rural areas of East Timor.

Therefore, it is reasonable to propose that at least one third of the development budget should go to the agriculture sector.

Beyond agriculture, other natural resources also should be explored, not necessarily using government funds, but through designing a set of policies to attract investors to the region. Since political instability is the most critical factor, to attract investors it is important to grant land concessions, tax holidays and if possible to provide a limited monopoly to exploit natural resources, especially gold, marble and other natural resources.

Sub-Regional Economic Integration

Sub-regional economic integration will be one of the major players in the global economy. Border areas usually have common needs and are often complementary to each other. Kenichi Ohmae (1994), a management guru states that one of the trends of economic cooperation in the future is sub-regional economic integration. Borders only have administrative means while the flow of resources do not distinguish between borders. If the regional border of two nation states share the same needs and their products are complementary to each other, then the government of these nation states should promote a closer economic cooperation between them. It is in this context that we see the geographic closeness of Timor island, including East Timor and Australia's Northern Territory as a possibility in which to establish sub-regional economic cooperation. Besides the close geographic location, a number of companies have started exploring oil in Timor Gap, the area of joint exploration between Australia and Indonesia.

Timor and the Northern Territory share the same isolation from the world, high dependency on federal subsidies, are less developed compared to other states and far away from the centres of trade and government in each country, that is, Sydney, Melbourne and Canberra for the Northern Territory and Surabaya and Jakarta for Timor. The share of regional GDP in the national GDP also is small in all these sub-national regions, that is, 1.1% for the Northern Territory, 0.13% for East Timor and 0.30% for West Timor.

Therefore, a closer economic link between East Timor, West Timor and the Northern Territory is important to boost their economic development. The Northern Territory has the technological capabilities in tropical agriculture and the capacity of its businesses to invest in Timor. Although the business sector in the Northern Territory is relatively small compared to other Australian states, investments between one million and five million dollars could be financed by Northern Territory companies. The Northern Territory also could serve as the first destination of tourists before going on to Timor. A flight from Darwin will take around forty five minutes to arrive in Baucau, East Timor and an hour and twenty five minutes to Kupang, West Timor. The flow of tourists within these sub-regional economies is still not properly exploited. East Timor remains closed for tourists and West Timor only enjoys a small number of tourists due to the less frequent flights and technical irregularities of the planes used.

The comparative advantage of East Timor is in its rice production. Most ricefields have not yet been fully exploited due to the security problems. But once the situation is normal, East Timor could well provide rice for West Timor and for the Asian descendants in the Northern Territory, such as East Timorese, Indonesians, Filipinos, Vietnamese, Thais, Japanese and Chinese. In addition, East Timor could also provide coconut, sugar and livestock products.

There is a reason to believe that producing livestock in Timor is cheaper than producing it in the Northern Territory because of low labor costs. East and West Timor could jointly produce maize and provide cheap labor for industries across the border. In short, the potential sectors in which the Northern Territory and Timor could cooperate are agriculture, tourism, labor, investment, and non-oil mining. The Northern Territory concentrates in capital intensive industries, while Timor concentrates in labor intensive industries.

Several factors that could hinder the sub-regional economic cooperation are political instability and the uncertainty of the future of East Timor, cultural differences between Timorese and Northern Territorians, and the lack of political support from the Indonesian central government. The Northern Territory has its own Minister of Asian Relations and Trade who could easily decide on matters of cooperation as long as these did not conflict with national interests. But Timor, especially East Timor, must ask permission from the central government in Jakarta which may take years and often the reply is "No".

Aside from that, East Timor should also seek economic links with the provinces of West Nusa Tenggara, Maluku and Irian Jaya. These regions have only a minimal economic relations with East Timor. The same thing also happens with Papua New Guinea, which geographically is close but economically is far away.

Conclusions and Recommendations

This paper has identified several important aspects of the economy of East Timor. After suffering heavy losses during the civil war and continued armed conflicts, East Timor has experienced a high economic growth since 1980s. However, the high economic growth created the unbalanced growth with rapid development in infrastructure, such as construction, transport and communication and low growth in productive sectors, especially agriculture, manufacturing and industry. The high economic growth also is not balanced with sufficient job opportunities, adequate financial resources and the eradication of the poverty level.

The economic problem of East Timor is not that of natural resources, but the poor quality of human resources and the lack of capital. East Timor has potential resources in oil and gas, non-oil mining and agriculture. The exploitation of these resources is hindered by the lack of political stability, the poor quality of human resources and capital.

Political stability should be created to pave the way for economic development. In this context, economic development needs to take into account the ways to empower the East Timorese in various economic activities, such as trade, investment and public sector. To create more employment, the agriculture sector should get the first priority in a development budget. At least one third of the development budget should be allocated to this sector.

To exploit the resources optimally based on its comparative advantage, a sub-regional economic integration with West Timor and the Australia's Northern Territory should be pursued. Potential sectors that warrant a closer economic cooperation are trade, investment, agriculture, labor, tourism and science and technology.

Bibliography

"Pembagian Minyak Celah Timor Lebih Buruk dari yang Diduga". *KOMPAS,* 14 Maret 1989

BNU so Trouxe de Timor as Chaves do Cofre. O Jornal, 20 de Setembro de 1985.

Budiardjo, Carmel and Liong, Liem Soei (1984), *The War Against East Timor.* London: Zed Books Ltd.

Corner, Larraine, *"East and West Nusa Tenggara: Isolation and Poverty "* in Hal Hill (ed) (1989). *Unity and Diversity Regional Economic Development in Indonesia Since 1970.* pp. 179 - 206 Singapore: Oxford University Press

Defert, Gabriel (1992), *Timor East: Le Genocide Oublie, Droit d' un Peuple et Raisons d' Etats. Paris: L'Harmattan.*

Dunn, James (1983), *East Timor: A People Betrayed.* Milton, Queensland: Jacaranda Press.

East Timor Potential Profile in 1993. Dili: Regional Investment Coordinating Board of East Timor 1993

Exploration of Portuguese Timor. Report of Allied Mining Corporation to Asia Investment Company, Limited, 1937

Fagi, Achmad M. et al (1991).*Sumbangan Pemikiran bagi Pembangunan Pertanian di Timor Timur.* Jakarta: Badan Penelitian dan Pengembangan Pertanin, Departemen Pertanian

Folie, Michael and Ulph, Alistair (1979). *Self-Sufficiency in Oil: An Economic Perspective on Possible Australian Policies.* CAER Paper no. 6, April 1979. Kesington, NSW: Centre for Applied Economic Research, UNSW

Frith, Damon. *BHP's Elang Success Upgrades Timor Sea Oil Potential.* The Australian, November 8, 1994 p.63.

Goncalves, M. Mayer et al (1974). *Melhoramento da Cultura do Arroz em Timor: Introducção e Selecção de Variedades e Primeiros Ensaios de Adubação.* Lisboa: Missao de Estudos Agronomicos do Ultramar

Halesworth, Peter S. *Study Sees End of Oil Exports by Indonesia.* The Asia Wall Street Journal, December 12, 1994

Idris, Ahmad (1990). *Malaysia's New Economic Policy.* Selangor Darul Ehsan, Malaysia: Pelanduk Publications.

Laporan Kantor Wilayah Departemen Perdaganagan Timor Timur 1993. Dili: Kantor Wilayah Departemen Perdagangan

Northern Territory in Focus 1994. Darwin: Australian Bureau of Statistics.

Nusa Tenggara Timur Dalam Angka 1993. Kupang: Kantor Statistik dan BAPPEDA Tingkat I Timor Timur

Ohmae, Kenichi. *"Putting Global Logic First".* Harvard Business Review January-February 1995. pp. 119-125

Oil and Gas The Production Story (1980). An Esso Report

Pangestu, Mari. *"East Kalimantan: Beyond the Timber and Oil Boom "* in Hal Hill (ed) (1989). *Unity and Diversity Regional Economic Development in Indonesia Since 1970* pp. 151 - 176

Pendapatan Regional Nusa Tenggara Timur 1989-1992. Kantor Statistik dan BAPPEDA Tingkat I Nusa Tenggara Timur.

Produk Domestik Regional Bruto Nusa Tenggara Timur Menurut Kabupaten 1989-1992. Kantor Statistik dan BAPPEDA Tingkat I Nusa Tenggara Timur.

Rice, Robert C. *"Riau and Jambi: Rapid Growth in Dualistic Natural Resource-Intensive Economics "* in Hal Hill (ed) (1989). *Unity and Diversity Regional Economic Development in Indonesia Since 1970.* pp. 125 - 150, Singapore: Oxford University Press

Saldanha, Joao Mariano de Sousa. *Timar Gap dan Base Camp.* Suara Pembaruan, 29 Nopember 1994.

Saldanha, Joao Mariano de Sousa (1994a). *Ekonomi Politik Pembangunan Timor Timur.* Jakarta: Pustaka Sinar Harapan.

Saldanha, Joao Mariano de Sousa. *Prospek Hubungan Ekonomi Antar Daerah di Timor Gap.* Suara Pembaruan, 10 January 1995.

Saldanha, Joao Mariano de Sousa (1994b). *The Political Economy of East Timor Development with Epilogue.* Jakarta: Pustaka Sinar Harapan.

Saldanha, Joao Mariano de Sousa (1993). *Assessing Economic Integration Among Australia, Indonesia and Papua New Guinea.* Unpublished Master Thesis. Thunderbird, The American Graduate School of International Management, Glendale, Arizona, USA.

Saldanha, Joao Mariano de Sousa (1995a, forthcoming). *East Timor: An Economic Survey Under the Portuguese Era.*

Silva, Wilson da, *Legal Clouds Darken Over the Timor Gap.* Asia Business Review, October 1994. pp.98-99.

Silva, Wilson da, *World Court Hears Evidence on Timor Gap Treaty.* Asian Business Review, March 1995. pp. 40 - 42.

Soesastro, M. Hadi. *"East Timor: Questions of Economic Viability "* in Hal Hill (ed) (1989). *Unity and Diversity Regional Economic Development in Indonesia since 1970.* pp.207 - 230. Singapore: Oxford University Press

Tahidja, Julius. *Swapping Business Skills for Oil.* Harvard Business Review September-October 1993. pp. 64-77

Tidak Benar, Indonesia Dirugikan di Celah Timor" KOMPAS, 24 February 1989.

Timor Timur Dalam Angka 1992. Dili: Kantor Statistik dan BAPPEDA Tingkat I Timor Timur

Usman, Asnani. *"Timor Gap" Dalam Penetapan Batas-Batas Landas Kontinesn Indonesia - Australia.* Suara Karya, 21 November 1985

Wagstaff, Jeremy. *Political Unrest Blamed for Timor's Economic Plight.* Canberra Times, February 25, 1995.

Endnotes

1. The economic development of East Timor during the last fifteen years of Portugese colonisation is surveyed in 'East Timor: An Economic Survey Under the Portugese Era', Saldanha 1995 (forthcoming)

2. This statement has more political content rather than economic, because the economy of East Timor actually was not the poorest compared to other Indonesian provinces, such as East Nusa Tenggara and Southeast Sulawesi (See Saldanha, 1995a, forthcoming).

3. Further discussion of key economic factors of East Timor economy is presented in Saldahna, "The Political Economy of East Timor Development", Pustaka Sinar Harapan 1994, especially in the Epilogue.

4. Concerning the allocation of funds and its discussion see Saldanha, 1994 (Epilouge in the English edition).

5. The Indonesian Public Service has four categories, that is, I, II, III and IV. I is the lowest.

6. Folie and Ulph in 1979 developed several scenarios (pessimistic, optimistic and likely) for Australia's oil suffiency. Pp 66-105.

7. Even Australia's recognition it seems, could not help much because of the ongoing tensions in East Timor. The killing of at least 40 people by the army in Dili in November 1991 and another six people in Liquica have put East Timor back in the interanational arena. This is worsened by the riots in Dili and students camping in the US Jakarta's Embassy during the Asia Pacific Economic Coorperation Summit in Jakarta in November 1994 and subsequent riots in Baucau in New Year's 1995 and killing of six civilians by the Indonesian Armed Forces.